Draft ENAV S.p.A. Financial Statements and Consolidated Financial Statements at 31 December 2018

Annual Financial Report

2018

Contents

ENAV Group in figures

Performance	2018	2017	Change	%
Total revenues	889,740	881,824	7,916	0.9%
EBITDA	297,381	283,595	13,786	4.9%
EBITDA margin	33.4%	32.2%	1.2%	
EBIT	164,391	146,682	17,709	12.1%
EBIT margin	18.5%	16.6%	1.9%	
Profit for the year attributable to the Group	114,390	101,498	12,892	12.7%

Thousands of euros

Financial position	31.12.2018	31.12.2017	Change	%
Net capital employed	1,139,517	1,237,447	(97,930)	-7.9%
Equity	1,137,559	1,119,965	17,594	1.6%
Net financial debt	1,958	117,482	(115,524)	-98.3%

Thousands of euros

Other indicators	2018	2017	Change	%
En-route service units	9,433,866	8,631,816	802,050	9.3%
Terminal service units Charging Zone 1	229,992	217,831	12,161	5.6%
Terminal service units Charging Zone 2	330,373	313,846	16,527	5.3%
Terminal service units Charging Zone 3	423,205	404,184	19,021	4.7%
Free cash flow	187,302	78,622	108,680	138.2%
Headcount at end of year	4,114	4,181	(67)	-1.6%

Report on Operations

Corporate bodies

Board of Directors

Chairman (*)	Nicola Maione
Chief Executive Officer	Roberta Neri
Directors	Giuseppe Acierno
	Maria Teresa Di Matteo
	Fabiola Mascardi
	Carlo Paris
	Antonio Santi
	Mario Vinzia

Control, Risks and Related Parties Committee (**)

Chairman	Antonio Santi
Members	Fabiola Mascardi
	Mario Vinzia

Remuneration and Appointments Committee (***)

Chairman	Carlo Paris
Members	Giuseppe Acierno
	Maria Teresa Di Matteo

Sustainability Committee (****)

Chairman	Giuseppe Acierno
Members	Fabiola Mascardi
	Carlo Paris

Board of Auditors

Chairman	Franca Brusco
Standing auditors	Mattia Berti
	Donato Pellegrino
Alternate auditors	Maria Teresa Cuomo
	Francesco Schiavone Panni

Magistrate of the Court of Auditors designated to control ENAV S.p.A.	Mauro Orefice

Audit firm	EY S.p.A.

(*) On 8 November 2018 the Board of Directors appointed Nicola Maione as Chairman of the Board of Directors following the resignation of Roberto Scaramella.
(**) On 13 November 2018 the Board of Directors appointed Antonio Santi as Chairman of the Control, Risks and Related Parties Committee and Fabiola Mascardi as a member, in replacement of the previous Chairman, Nicola Maione, who was appointed Chairman of the Board of Directors.
(***) On 13 November 2018 the Board of Directors appointed Fabiola Mascardi as a member of the Control, Risks and Related Parties Committee, leaving the Remuneration and Appointments Committee with three members.
(****) Committee established on 27 June 2018 by the Board of Directors, most recently modifying its composition on 13 November 2018, with three independent non-executive directors as members.

Corporate Governance

The ENAV corporate governance structure reflects the recommendations of the Corporate Governance Code for listed companies promoted by Borsa Italiana and the provisions of Legislative Decree 58 of 24 February 1998 (the Consolidated Law on Financial Intermediation, or Consolidated Law).

The governance model is the traditional Italian model, which, save for the powers reserved to the Shareholders' Meeting by law and the Articles of Association, gives the Board of Directors responsibility for the strategic and operational management of the Company, while the Board of Auditors is charged with performing oversight functions. The statutory audit is performed by an audit firm.

For a comprehensive examination of corporate governance arrangements, please see the *Report on Corporate Governance and the Ownership Structure* (hereinafter the "Report"), provided for by Article 123-*bis* of the Consolidated Law, prepared as an autonomous document approved by the Board of Directors on 11 March 2019 and published on the Company's website at www.enav.it in the Governance section in conjunction with the publication of this Annual Financial Report, as well as in the specific section created for the Shareholders' Meeting called to approve the financial statements, which contains the documentation and information pertaining to the Meeting.

The criteria for deferring directors' remuneration are discussed in the Remuneration Report, prepared in compliance with the obligations of Article 123-ter of the Consolidated Law and Article 84-*quater* of the Consob Issuers Regulation and published in the Governance section of the Company's website.

Consolidated statement of non-financial information

In compliance with Legislative Decree 254/2016 concerning non-financial information, ENAV has prepared a Consolidated statement of non-financial information (NFS) as a separate report subject to independent approval by the Board of Directors. The Consolidated statement of non-financial information for 2017, prepared in compliance with the GRI Standards (GRI G4 Sustainability Reporting Guidelines) is available on the Group's website.

In 2018, given the special attention paid to sustainability issues by the ENAV Group, a Sustainability Plan was drawn up covering the 2018-2020 period through which the Group communicates its short/medium-term objectives to stakeholders with a approach based on the creation of value.

To this end, the Group has decided to prepare the Sustainability Report, which also incorporates the NFS pursuant to Legislative Decree 254/2016 as amended, drawn up on an annual basis in accordance with the GRI Sustainability Reporting Standard published by the Global Reporting Initiative (GRI) in 2016 and assessed in a limited audit by EY S.p.A.. The document is published on the Company's website at www.enav.it.

Organisational model and activities of the ENAV Group

Organisational model

At its meetings of 27 July 2018 and 12 December 2018, the Board of Directors of ENAV S.p.A. resolved a new Group organisational model consistent with industry best practice, designed to support the effectiveness of operations, the growth of the business and a sense of belonging to the ENAV Group.

In particular, at the macro-structure level and reporting directly to the Chief Executive Officer of ENAV, four Chief Officers with strategic responsibilities (key management personnel) have been appointed to govern, within the specific scope of their roles, the company's core processes, namely:

- Finance and Procurement
- HR and Corporate Services
- Operations
- Technology

and an additional five staff units have been created to oversee the main interfunctional processes, namely:

- Integrated Compliance and Risk Management
- Communications and Investor Relations
- International Strategy
- Business Development
- General Counsel

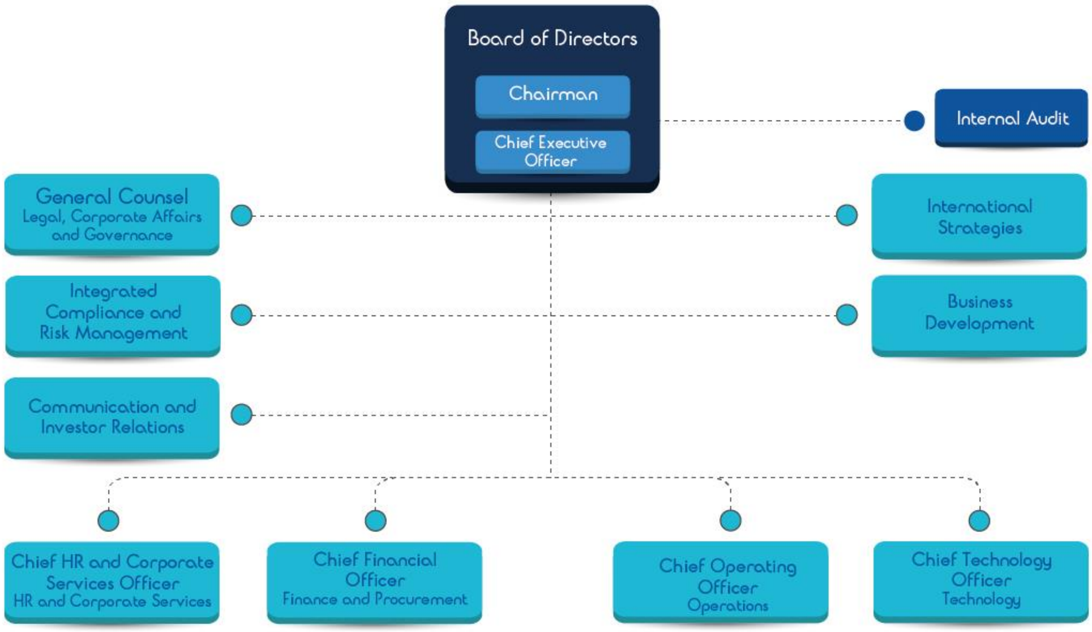
The Integrated Compliance and Risk Management unit was established to bring all compliance issues within the scope of a single organisational structure. The head of the unit has been assigned the role of Group Risk Manager and unit handles the domains of safety, security, quality, health safety and the environment.

Furthermore, the main organisational measures impacted the areas of responsibility illustrated below.

- ❖ The Human Resources area has been restructured with the establishment of the new HR and Corporate Services unit with the responsibility, across to all Group companies, for overseeing the governance of human resources processes (organisation, development, training), planning and managing of labour costs, employee and industrial relations, welfare and personnel services and digital transformation.
- ❖ the Operations area, which is responsible for providing the core Air Traffic Management (ATM) services, has undergone a profound rationalisation of staff units and revised operational management of airports, which have been grouped into strategic airports and low-traffic airports, the latter clustered in order to optimise the efficiency of the Air Navigation Services (ANS) provided.
- ❖ The Technology area, which is responsible for the engineering and maintenance of ATM infrastructure, systems and software and for implementing investments, has been consolidated in order to bring all the technological processes necessary to Operations under a single roof, thus reinforcing coordination at the Group level with the establishment of a Technical Business Continuity unit.

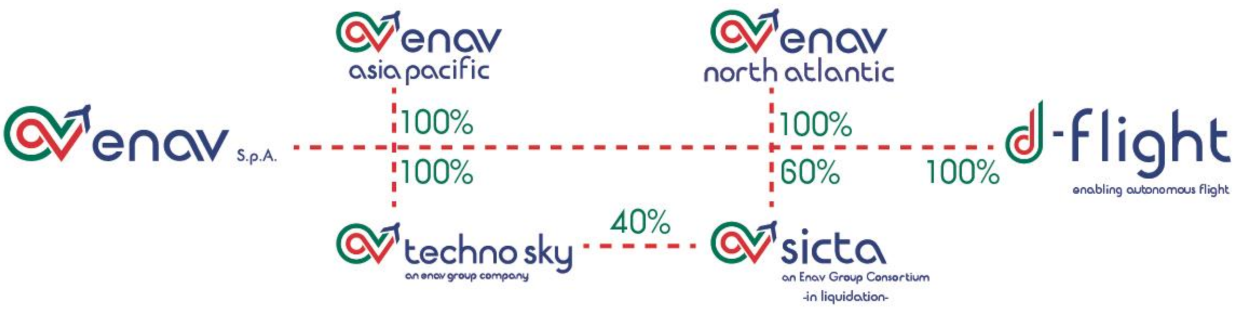
❖ The General Counsel's office extends responsibilities in the Legal, Corporate Affairs and Governance field to all Group companies, overseeing the governance and legal issues associated with the activity of the Group.

With regard to the subsidiary Techno Sky, the reorganisation of the Group macrostructure was intended improve the representation of strategic engineering and maintenance processes and those connected with project management, as well as to strengthen integration at the Group level. These changes were dictated by the need to integrate the various specialized areas of the company around a core of highly professionalised skills, with the aim of strengthening its positioning in a sector in which engineering and technological innovation are the critical factor for maintaining a competitive edge and fostering growth.



The Group's business

The ENAV Group's business can be broken down into three operational segments, namely i) air navigation services; ii) maintenance services; and iii) other services, to which the companies within the scope of consolidation belong.



The *air navigation services* segment is the exclusive domain of **ENAV**, whose core business is providing air traffic control and management services and other essential air navigation services in Italian airspace and at the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and upgrading the technology infrastructure of air navigation systems. ENAV is the fifth largest player in Europe and a major actor at the global level in the Air Traffic Control (ATC) industry.

The *maintenance services* segment is covered by **Techno Sky**, wholly owned by ENAV, whose core business is the management and maintenance of the equipment and systems used to for national air traffic control, ensuring its full operational efficiency and uninterrupted availability around the clock.

The residual *other* segments includes:

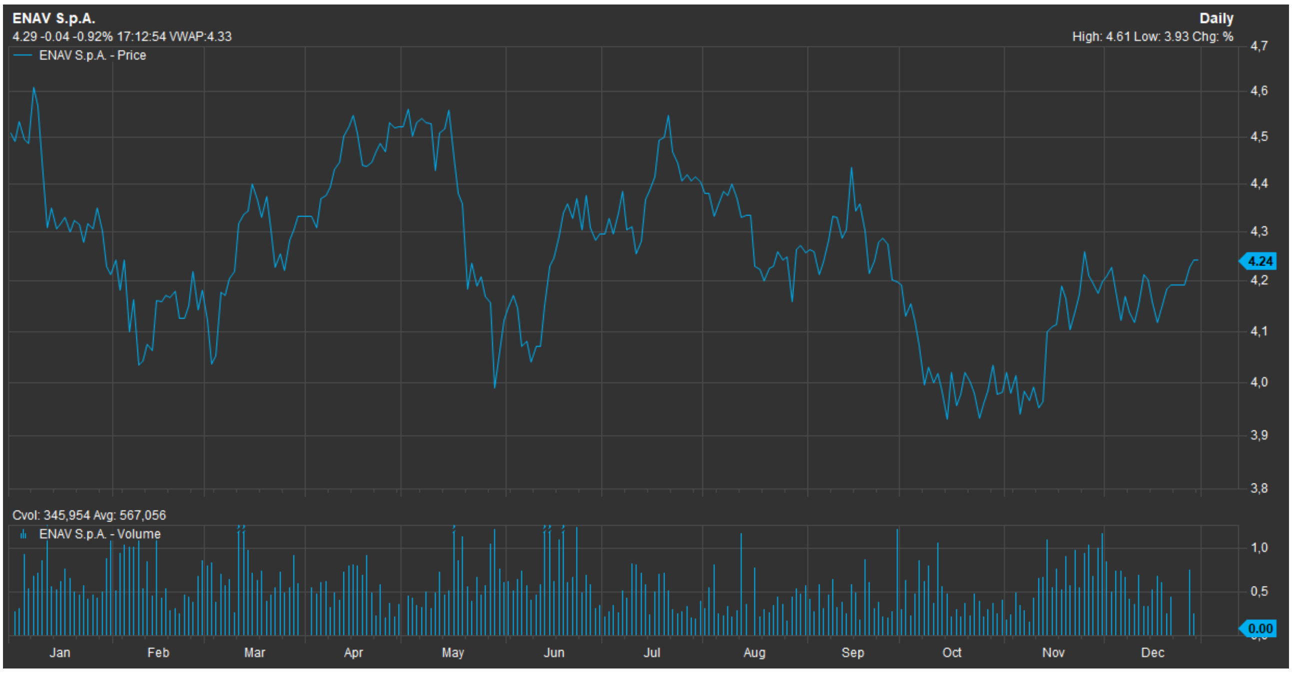
- **ENAV Asia Pacific Sdn Bhd**, a Malaysian company wholly owned by ENAV, which is involved in business development and the delivery of services on the non-regulated market, with particular regard to the areas of strategic interest in Southeast Asia.
- **ENAV North Atlantic LLC**, which holds 9.14% of the share capital of Aireon LLC, which will rise to 11.1% post redemption. It is responsible for the implementation of the first global satellite monitoring system for air traffic control, with the aim of enabling the comprehensive surveillance of all routes worldwide, with a focus on the polar, oceanic and other remote areas currently not covered by the radar-based air traffic control services, and enabling the optimisation of routes and achieving ever higher standards of flight safety and efficiency.
- **D-Flight**, a company incorporated in November 2018 with 100% of its share capital subscribed by ENAV. It is involved in the development and provision of services for low-altitude air traffic management of remotely piloted aircraft and all other types aircraft that fall within the unmanned aerial vehicles category.
- **Sicta Consortium in liquidation**, which was placed in voluntary liquidation with a resolution voted by all the Consortium's shareholders on 3 March 2017, with effect from 28 March 2017.

Information on ENAV's stock in 2018

ENAV, which has been listed on the Mercato Telematico Azionario (MTA) operated by Borsa Italiana S.p.A. since July 26, 2016 is currently the only Air Navigation Service Provider (ANSP) listed on an equity market.

From the date of listing, the ENAV stock price has risen by 16.22%, closing at €4.25 per share at 31 December 2018. During 2018, the stock fluctuated while trending slightly downward. After opening the year at €4.51, the stock declined to €4.24 (a 5.94% reduction, without considering the dividend yield), giving ENAV a market capitalisation of €2.3 billion. In the same period, the FTSE MIB, the index of the top 40 Italian stocks, fell by 16.15% and the FTSE Mid Cap index, of which ENAV is part, declined by 19.55%. The price of the stock peaked on 8 January 2018 at €4.61, while the low was registered on 15 October 2018 at a price per share of €3.90.

The ENAV stock performance was certainly influenced by general market volatility during 2018, partly reflecting the country's political uncertainty. These exogenous factors more than offset the positive effects of the excellent performance achieved by the ENAV Group.



On 12 October 2018, the programme for the purchase of treasury shares was completed, having been authorised by the Shareholders' Meeting of 27 April 2018 for the purpose of purchasing ordinary shares to support ENAV's remuneration policies. On the basis of the resolution of the Shareholders' Meeting, the Company purchased 1,200,000 treasury shares, equal to 0.22151% of share capital, at an average net price of €4.14, with a total net value of €4.9 million.

As a consequence of the buy-back programme, at 31 December 2018 ownership of ENAV's share capital, amounting to €541,744,385, broke down as follows: 0.22% was held by ENAV in the form of treasury shares, 53.28% was held by Ministry for the Economy and Finance and 46.50% was held by market investors, with a significant presence of retail investors, some of the leading US, Canadian, Australian and European institutional investors, as well as a number of the main international sovereign wealth funds.

Operations

Operating environment and performance

During 2018 there was a broad slowdown in the international economy, which also had an impact on Italy. Nevertheless, the general economic situation did not have a negative impact on the trend in air traffic registered in Italy. Looking at developments in en-route service units (SUs) generated by aircraft passing through national airspace, we find that 2018 posted an overall increase of 9.3%, a result that places Italian growth above that registered by the other European providers. All quarters of the year posted gains, with a peak in the third quarter, when growth was 9.8%. On a monthly basis, the extremely positive results were posted in June, August and December, which showed increases of more than 11%. In this scenario, a prominent role in the growth of en-route traffic was played by overflight traffic, which ended the year with growth of 14%, thanks to the increases recorded in traffic over the longest route segments. In particular, there was a peak of +16.7% in the route segment exceeding 800 kilometres, buoyed by the growth in intra-European flights, Africa-Europe flights and Asia-Europe flights. Also noteworthy is the positive performance recorded by international traffic, which ended the year with an increase of 7.7%, driven by the southern Mediterranean routes, and those to the United States and Russia. The substantial increase in traffic is also confirmed by the data for passenger traffic. The figures released by the Assaeroporti for 2018 show an overall increase at national airports of 5.9%, equal to about 10.3 million passengers. The greatest increases were registered in the number of international passengers (+7.2%, or about 8.2 million passengers), with the EU component alone growing by 5.6% (about 5 million passengers). These results demonstrate that the management actions implemented by the Company, despite the less than favourable economic environment, contributed significantly to the growth of air traffic in Italian airspace. A major contribution came from the substantial investments in modernising equipment and in the training of operational personnel, the uninterrupted delivery of punctual and extremely safe service, as well as ongoing optimisation in the reconfiguration of airspace and in the updating of the operational organisational layouts. The attractiveness of Italian routes is further confirmed if one considers the fact that the Company registered its highest ever level of service units. Among the factors that contributed positively to the increase in en-route traffic, we would underscore the new organisation of airspace. ENAV was the first among the five major European service providers to implement the Free route airspace, in line with European regulations governing the Single European Sky, which will become mandatory for all European countries as from 1 January 2022. Since 8 December 2016, the date on which ENAV activated this procedure, 75 million kg of fuel have been saved, reducing CO_2 emissions by 236 million kg. The greater efficiency of routes has enabled airlines to fly about 20 million fewer kilometres in Italian airspace. In 2018 alone, the Free route airspace made it possible to reduce distance travelled by about 11.5 million km, with a fuel saving of 43 million kg, reducing CO_2 emissions by 135 million kg.

The implementation of the Free route airspace, together with the ability to guarantee maximum vertical efficiency, has prompted carriers to review their route plans, thus channelling more traffic through Italian airspace. For example, the number of flights on the Paris - Tel Aviv route increased significantly, with 746 out of a total of 750 flights flying through Italian airspace. The same happened with the London - Athens route, which in 2018 saw 1,257 flights planned through Italian airspace out of a total of 2,320. In such a complex environment, with a significant increase in traffic levels, ENAV still managed to guarantee excellent performance in terms of punctuality for the fourth consecutive year of the second reference period. The Company achieved the operational performance targets set out in the Performance Plan, both for the en-route and terminal segments. More specifically, in the en-route segment, with a target of 0.11 minutes of delay per assisted flight, ENAV actually achieved 0.024 minutes/flight. For the terminal segment, with a target of 0.02 minutes/flight, the Company achieved 0.01 minutes/flight.

During the year, European providers received their first information from the EU institutions about the new regulatory framework and the new performance targets for the third reference period (2020-2024). In order to adequately assess the impacts of these initial indications, in 2018 the Company was engaged not only in the initial development of the financial planning for the new period, but also in the preparation of a series of proposals submitted to the appropriate EU institutions, subject to coordination with the national regulator.

With regard to the financial performance of the ENAV Group, the significant increase in traffic undoubtedly had a positive impact on operating results. However, overall regulated revenues, i.e. revenues connected with charges including balances, remained substantially in line with the previous year, effectively dissipating the impact of the increase in traffic. This contrasting effect was generated by a series of factors, including: i) the lower effective "DUC" (determined unit cost, or charges net of balances) applied in 2018 which, consistent with the provisions of the national Performance Plan, was 3.8% lower than the effective charge for 2017; ii) greater negative balances deriving from the zeroing of the balance for traffic risk within the +/-2% band, as at the end of 2018 the change in service units was equal to -1.25% compared with the forecast in the Performance Plan, the increase in the balance for the change in Eurocontrol costs, due to the increase in the cost incorporated in charges, and the inflation balance, as actual inflation was lower than that specified in the Performance Plan. The trend observed for the regulated market was associated with a slight contraction recorded on the non-regulated market, which is the component of revenues generated by the commercial activities performed by the ENAV Group for third-party customers. Despite the resumption of construction work on the air traffic control tower at Mitiga airport, non-regulated revenues slowed over the course of 2018 from their level in the previous year, reflecting the completion or near-completion of a number of contracts, which had generated their greatest output in 2017, both in terms of activities and revenues. Overall, the greater impact on operating performance came from other revenues, which in 2018 increased substantially in relation to the increase in revenues from European funding for projects in the Connecting European Facility and SESAR 2020, the settlement reached with Leonardo SpA, and the capital gain on the sale of part of the Academy complex in Forlì. Therefore, in order to achieve the objectives set out in the National Performance Plan, and in line with the governance and business lines set out by the Company in its Business Plan, the Group worked during the year on implementing a range of strategic cost-containment actions, in full compliance with the institutional purpose of ENAV, which is to ensure the safe movement of aircraft en route and at the airport. The cost efficiency actions adopted by the Group, which included specific organisational measures to streamline our structure and revise operational processes, reduced costs in 2018 by €5.9 million compared with the previous year. External costs decreased by 3.8% or €5.7 million, essentially due to the reduction in costs for utilities and operational telecommunications and costs for rent, accompanied by a general reduction in consulting support activities at the various Group units. This decline was partly offset by an increase in costs for spare parts, maintenance and insurance premiums. Personnel costs in 2018 edged up by €1.8 million compared with 2017, reflecting an increase in the Parent Company's costs as a result of greater overtime (+2.5 million) due to the significant increase in traffic handled, the effect of the renewal of the collective bargaining agreement of the Parent Company, which was signed in July 2018, as well as the early retirement incentive policies implemented during the year. These increases were offset by a decline in costs connected with the contraction of 61 in the overall workforce. The efforts of all Group companies, which focused constantly on delivering more efficient and effective services, enabled the ENAV Group to post EBITDA of €297.4 million, up 4.9% or €13.8 million compared with 2017, and a profit for the year of €114.4 million, an increase of 12.7% or €12.9 million.

Market and air traffic developments

Air traffic control activities in the countries of the Eurocontrol area posted a significant increase in traffic flows in terms of en-route service units,(*) with Italy registering an increase of 9.3% (+4% in 2017 over 2016), while the overall performance of the countries participating in Eurocontrol showed a gain of 5.9%, a slight deterioration compared with the increase in 2017 (+6.2%).

The major European providers registered a generalised increase in en-route service units, albeit at a lower level than in the previous year, including Spain with +5.9%, Germany with +4.3%, Great Britain with +3.6% and France with +2.8%.

Total en-route traffic service units (**)	**2018**	**2017**	**Change no.**	**Change %**
France	21,449,867	20,862,129	587,738	2.8%
Germany	14,989,181	14,374,175	615,006	4.3%
Great Britain	12,194,153	11,767,621	426,532	3.6%
Spain	11,058,991	10,440,757	618,234	5.9%
Italy (***)	9,433,866	8,631,816	802,050	9.3%
EUROCONTROL	**150,273,139**	**141,920,453**	**8,352,686**	**5.9%**

(*) overflight traffic in Italian airspace, with or without layover.

(**) "service unit" is the unit of measurement used within Eurocontrol to determine the value of services rendered. It is a combination of two elements: the weight of the aircraft at departure and the distance travelled.

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

En-route traffic

En-route traffic in Italy in 2018 registered an increase of 9.3% in the number of service units notified by Eurocontrol (the same value if the residual category *Exempt not reported to Eurocontrol* is included) and one of 5.8% in the number of flights handled (+5.5% including the residual category *Exempt not reported to Eurocontrol*).

The developments in air traffic at the service unit level were characterised by a uniform expansion in volumes throughout 2018, with an increase of over 7% in the first quarter and over 9% in the subsequent quarters. The factors contributing to the rise included the Parent Company's implementation of the Free route project (an innovation that allows all aircraft flying at an altitude of more than 11,000 metres, and from the end of May 2018, more than 9,000 metres, regardless of whether they land or take off at Italian airports, to cross national airspace with a direct route, which allows carriers in transit through Italian airspace to plan shorter trajectories without constraints, saving fuel and running costs, while still ensuring the highest levels of safety), which mainly benefited overflight traffic, as well as the increase in air traffic connecting with other European countries, America and Russia and the revival of traffic volumes to and from countries such as Turkey, Greece, Egypt, Malta, Tunisia and Israel. Domestic traffic also showed signs of recovery, above all in the final months of the year.

This increase in service units was achieved despite the incomplete reopening of Libyan airspace and the effects associated with Alitalia's organisational and operational restructuring.

En-route traffic (number of flights)	**2018**	**2017**	**Change no.**	**Change %**
Domestic	289,422	286,734	2,688	0.9%
International	971,559	927,155	44,404	4.8%
Overflight	631,383	571,552	59,831	10.5%
Paying total	**1,892,364**	**1,785,441**	**106,923**	**6.0%**
Military	33,071	34,251	(1,180)	-3.4%
Other exempt	17,785	17,534	251	1.4%
Total exempt	**50,856**	**51,785**	**(929)**	**-1.8%**
Total reported by Eurocontrol	**1,943,220**	**1,837,226**	**105,994**	**5.8%**
Exempt not reported to Eurocontrol	17,785	21,249	(3,464)	-16.3%
Total	**1,961,005**	**1,858,475**	**102,530**	**5.5%**

En-route traffic (service units)	2018	2017	Change no.	%
Domestic	1,720,567	1,642,819	77,748	4.7%
International	3,857,879	3,581,084	276,795	7.7%
Overflight	3,715,143	3,257,728	457,415	14.0%
Paying total	**9,293,589**	**8,481,631**	**811,958**	**9.6%**
Military	127,207	136,436	(9,229)	-6.8%
Other exempt	13,070	13,749	(679)	-4.9%
Total exempt	**140,277**	**150,185**	**(9,908)**	**-6.6%**
Total reported by Eurocontrol	**9,433,866**	**8,631,816**	**802,050**	**9.3%**
Exempt not reported to Eurocontrol	2,446	2,855	(409)	-14.3%
Total	**9,436,312**	**8,634,671**	**801,641**	**9.3%**

More specifically, the composition of en-route traffic was characterised by:

- **international commercial traffic**, a category of flights departing or arriving at an airport in Italy, which in 2018 recorded gains both in terms of service units (+7.7%) and the number of assisted flights (+4.8%), with the average distance travelled and average take-off weight also increasing.

  The expansion of international traffic, both in terms of service units and number of flights, was generated by the significant increase in traffic volumes in all distance classes: short (<350 km in national airspace), the largest in terms number of flights (64.9% of total international flights), with an increase of 5.2% in service units; medium (between 350-700 km in national airspace), which generates the largest number of service units (42.7% of total international service units), with an increase of 7.0%; and long (>700 km in national airspace), which showed an increase in both service units (+14.8%) and the number of flights (+15.2%). This category includes flights with the largest number of service units generated per flight.

  With regard to flight routes by continent, the strong performance of connections between Italy and the rest of Europe (+6.1% in SUs), representing about 80% of total international traffic service units, was confirmed during the year, with considerable growth in longer flights. Connections between Italy and Asia also increased (+6.9% in SUs and +16.5% in number of flights), as did those between Italy and Africa (+20.2% in SUs), thanks both the revival of traffic flows to countries such as Egypt, Tunisia, Morocco and Ethiopia and the increase in the use of longer-distance trajectories. Connections between Italy and the American continent also recovered (+19.2% in SUs);

- **commercial overflight traffic**, a category that includes flights that only cross through national airspace, recorded a significant increase in service units (+14.0%) and the number of assisted flights (+10.5%) in 2018. This was due to increases in all distance classes, with gains of more than 10% in service units. The longest flights (>800 Km in national airspace), which represent approximately 46% of total service units, posted an increase of 16.7% in service units, while the intermediate segment (between 400 and 800 km in national airspace) showed an increase of 13.4%.

A general analysis of departure/destination areas shows that connections between European countries performed well (+13.1% in SUs), representing about 68% of the total overflight traffic, with increases posted in all distance classes, as did Europe-Africa connections (+19.0% I service units) and Europe-Asia connections (+12.5% in SUs). A decisive contribution to the growth in service units for the latter came from long-distance flights. The figures for Europe-American continent connections (+10.2% in SUs) and Africa-Asia (+13.8% in SUs) also rose significantly;

- **domestic commercial traffic** posted an increase of 4.7% in service units in 2018, with a smaller rise in the number of assisted flights (+0.9%). These figures show the stabilisation of this type of traffic at low volumes in terms of the number of flights, with the segment struggling with competition from high speed rail for some years now. The increase in service units reflected an increase in longer distance flights (>700 Km in national airspace). Connections along Italy's north-south axis were again the driving force behind the positive performance of service units and the number of assisted flights, posting increases of 8.1% and 6.5% respectively, thanks in part to an excellent fourth quarter (+19.2% in services; +17.7% in flights). In this regard, the growth in traffic volumes at Milan Malpensa airport towards the main southern destinations such as Catania, Palermo, Lamezia and Bari bears mentioning;
- **exempt traffic** is divided into: i) *exempt traffic reported by Eurocontrol*, which decreased by 6.6% in terms of service units and by 1.8% in terms of the number of assisted flights. The latter figure is mainly due to the decline in military activity, which represents around 90% of total exempt service units, and in official government flights; ii) *exempt traffic not reported to Eurocontrol*, which accounts for only a residual proportion of revenues, posted a decrease of 16.3% in service units and one of 14.3% in the number of assisted flights.

With regard to the traffic of carriers operating in domestic airspace, 2018 was characterised by significant growth in air traffic volumes, involving both the main traditional carriers and the low-cost airlines. Among the major companies operating in Italian national airspace, Ryanair posted an increase of 6.1% in service units, accounting for 14.7% of total service units, while Easyjet (+17.8% in SUs), Wizz Air (+16.7% in SUs) and Vueling (+9.4% in SUs) also registered large gains. Significant results were also achieved by smaller companies, such as Volotea (+22.3% in SUs), Eurowings (+26.9% in SUs) and Aegean (+9.5% in SUs) which expanded their present in Italy's national airspace in 2018. Turkish Airlines (+17.8% in SUs), Saudia (+7.2% in SUs) and Emirates (+4.9% in SUs) also revived their operations, although they did not fully recoup the decrease in activity registered in 2017. Other traditional carriers long present on Italian routes include Lufthansa (+14.3% in SUs), Air France (+6.5% in SUs), Air Malta (+14.3% in SUs) and Tunis Air (+12.1% in SUs), testifying to the return of significant traffic flows in the southern Mediterranean area. Reflecting its recent difficulties, Alitalia registered an increase of 3.4% in service units but a decline of 0.4% in the number of flights.

Terminal traffic

In 2018, terminal traffic reported by Eurocontrol, which includes departures and arrivals within 20 km of the runway, grew by 5.1% in terms of service units and 3.3% in terms of the number of assisted flights.

Terminal traffic (number of flights)		2018	2017	Change no.	Change %
Domestic					
	Chg. Zone 1	50,373	50,157	216	0.4%
	Chg. Zone 2	62,328	58,244	4,084	7.0%
	Chg. Zone 3	168,631	169,755	(1,124)	-0.7%
	Total domestic flights	**281,332**	**278,156**	**3,176**	**1.1%**
International					
	Chg. Zone 1	103,347	98,417	4,930	5.0%
	Chg. Zone 2	183,888	177,951	5,937	3.3%
	Chg. Zone 3	196,156	184,928	11,228	6.1%
	Total international flights	**483,391**	**461,296**	**22,095**	**4.8%**
Paying total		**764,723**	**739,452**	**25,271**	**3.4%**
Exempt					
	Chg. Zone 1	82	129	(47)	-36.4%
	Chg. Zone 2	882	896	(14)	-1.6%
	Chg. Zone 3	20,111	20,237	(126)	-0.6%
	Total exempt flights	21,075	21,262	(187)	-0.9%
Total reported by Eurocontrol		**785,798**	**760,714**	**25,084**	**3.3%**
Exempt not reported to Eurocontrol					
	Chg. Zone 1	0	2	(2)	-100.0%
	Chg. Zone 2	423	472	(49)	-10.4%
	Chg. Zone 3	10,307	10,616	(309)	-2.9%
Total exempt flights not reported to Eurocontrol		**10,730**	**11,090**	**(360)**	**-3.2%**
Total by Chg. Zone					
	Chg. Zone 1	153,802	148,705	5,097	3.4%
	Chg. Zone 2	247,521	237,563	9,958	4.2%
	Chg. Zone 3	395,205	385,536	9,669	2.5%
Total		**796,528**	**771,804**	**24,724**	**3.2%**

Terminal traffic (service units)	2018	2017	Change no.	Change %
Domestic				
Chg. Zone 1	62,932	61,338	1,594	2.6%
Chg. Zone 2	73,932	67,404	6,528	9.7%
Chg. Zone 3	192,149	188,520	3,629	1.9%
Total domestic SUs	**329,013**	**317,262**	**11,751**	**3.7%**
International				
Chg. Zone 1	166,878	156,146	10,732	6.9%
Chg. Zone 2	256,016	245,966	10,050	4.1%
Chg. Zone 3	221,941	206,783	15,158	7.3%
Total international SUs	**644,835**	**608,895**	**35,940**	**5.9%**
Paying total	**973,848**	**926,157**	**47,691**	**5.1%**
Exempt				
Chg. Zone 1	182	347	(165)	-47.6%
Chg. Zone 2	388	435	(47)	-10.8%
Chg. Zone 3	8,302	7,998	304	3.8%
Total exempt SUs	**8,872**	**8,780**	**92**	**1.0%**
Total reported by Eurocontrol	**982,720**	**934,937**	**47,783**	**5.1%**
Exempt not reported to Eurocontrol				
Chg. Zone 1	0	0	0	0.0%
Chg. Zone 2	37	41	(4)	-9.8%
Chg. Zone 3	813	883	(70)	-7.9%
Total exempt SUs not reported to Eurocontrol	**850**	**924**	**(74)**	**-8.0%**
Total by Chg. Zone				
Chg. Zone 1	229,992	217,831	12,161	5.6%
Chg. Zone 2	330,373	313,846	16,527	5.3%
Chg. Zone 3	423,205	404,184	19,021	4.7%
Total	**983,570**	**935,861**	**47,709**	**5.1%**

Overall, the performance for 2018 compared with the previous year shows general growth for all three charging zones, both in terms of service units and number of assisted flights. In particular:

- **Charging Zone 1**, represented by Rome Fiumicino airport, posted an increase of 5.6% in terms of service units and 3.4% in the number of assisted flights, partially recovering the decrease in traffic in 2017. The differential between the increase in service units compared with the number of assisted flights reflected the increase in the average take-off weight of aircraft (+3.2%). This airport has been especially impacted by the situation of Alitalia, which accounted for about 40.8% of the service units generated at Rome Fiumicino airport and in 2018 recorded an increase of 2.4% in service units and 0.9% in assisted flights;
- **Charging Zone 2**, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted an increase in both service units (+5.3%) and assisted flights (+4.2%) in 2018, thanks above all to the performance of the airports of Milan Malpensa (+8.9% in SUs;

+8.8% in flights), Venice Tessera (+6.4% in SUs; +3.6% in flights) and Bergamo Orio al Serio (+4.2% in SUs; +4.2% in flights). There was a reduction in activities at Milan Linate airport (-2.9% in SUs; -1.9% in the number of flights), which was affected by the termination of operations by Air Berlin and the reduction in Air Italy flights. The airport was less affected by the situation of the flag carrier, which represents only 12.7% of service units but did post increases both in terms of service units (+4.7%) and the number of flights (+6.5%).

- **Charging Zone 3** registered gains in both service units (+4.7%) and number of assisted flights (+2.5%). These results reflect the good performance of the main airports present in this charging zone, including the airports of Naples (+9.0% in SUs), Catania (+9.9% in SUs), Palermo (+12.7% in SUs), Bari (+5.8% in SUs), Verona (+11.9% in SUs) and Olbia (+6.3% in SUs). Alitalia saw further decreases in both service units (-3.3%) and number of assisted flights (-9.4%). As with Charging Zone 2, the impact was still relatively small, considering that Alitalia's operations account for 13.8% of service units in this charging zone.

As for the various traffic components, as already noted for en-route traffic, international traffic was the engine of growth last year, achieving increases in service units and number of assisted flights of 5.9% and 4.8%, respectively. In this category, about 71% of the service units were generated by flights to other European countries (+4.1%), while the remaining service units are represented by flights to countries outside the European Union, which expanded by 10.8%. The increase in international traffic is attributable in particular to the results achieved in all three charging zones, especially the first (+6.9% in SUs) and the third (+7.3% in SUs). For Charging Zone 1, the growth in international traffic is mainly attributable to the increase in the extra-EU component (+13.7% in SUs), which accounts for 47.5% of total international traffic, thanks to a strong increase in long-haul connections with countries such as the United States, Russia, Korea, Qatar and Brazil. Traffic to European countries was virtually unchanged. The growth of the two components for Charging Zone 3 was more balanced (with EU traffic up 6.9% in SUs, while non-EU traffic grew by 10.0% in SUs), where the EU component accounts for 87.5% of international traffic. The growth for Charging Zone 2 (+4.1% in SUs) was mainly due to extra-EU traffic (+8.1% SUs), compared with EU traffic (+2.4% in SUs), which accounts for 68.5 % of the total.

The domestic commercial traffic component boasted a strong increase in service units (+3.7%) due to an increase in the number of assisted flights (+1.1%) and average aircraft weight, which rose by more than 3%. Charging Zone 1 generated an increase of 2.6% in service units and 0.4% in the number of flights, improving steadily throughout the year. Charging Zone 2 recorded larger increases (+9.7% in SUs; +7.0% in flights), buoyed by the performance of Milan Malpensa airport (+33.0% in SUs; +32.4% in flights) and Venice Tessera (+14.0% in SUs; +8.3% in flights). Charging Zone 3 also saw its service units increase (+1.9%), despite a decrease of 0.7% in assisted flights.

Safety and capacity indicators

Safety

With Implementing Regulation (EU) no. 390/2013, the European Commission included Safety among the key performance areas, defining specific objectives to be achieved in the second reference period of the Performance Plan (2015-2019). Commission Implementing Decision 2014/132/EU set specific safety targets at the European level and, therefore, for each Functional Airspace Block (FAB). The contribution to the achievement of the Safety targets by Italy and the FAB was considered consistent with the targets for the key performance area of safety by the Commission in its Decision 2015/347.

Under the regulatory framework indicated above, in each year of the second reference period of the 2015-2019 Performance Scheme, three key performance indicators for safety have been identified. The performance of these key indicators is monitored on an annual basis both internally, by the Safety unit, and externally by ENAC, as the National Supervisory Authority responsible for verifying the data, and by the European Commission which, through the Performance Review Body (PRB), conducts an overall assessment of the performance plan and, therefore, safety performance.

At present, the process of monitoring and assessing safety performance has been completed and published for performance in the 2015-2017, with all safety targets being achieved in full. The initial phase of the monitoring and assessment process has begun for 2018.
With regard to the Safety performance in 2017, the following results broken down by key performance indicator were achieved.

- **Effectiveness of Safety Management** (EoSM) measures the effectiveness of ENAV's Safety Management System. The indicator is determined by specified management objectives, with a scale of increasing values, from A to E, defining the level of implementation, maturity and effectiveness of the Safety Management System (SMS). The target to be achieved by 2019 is level C for the safety culture management objective and level D level for all other management objectives.
  The values achieved by ENAV for this specific objective have been equal to or greater than the specified targets since 2015.

Management Objectives	Minimum Target 2019	Minimum Target 2018	2017 results	2016 results	2015 results
Safety Culture	C	C	C	C	C
Safety Policy and Objectives	D	C	D	D	D
Safety Risk Management	D	C	D	D	D
Safety Assurance	D	C	D	D	D
Safety Promotion	D	C	D	D	D

- **Level of application of the Risk Analysis Tool** (RAT), an indicator that measures the percentage of application of the Eurocontrol Risk Analysis Tool for the classification of the severity of major safety events with Air Traffic Management (ATM) involvement to the analysis of the events reported in accordance with the law or the application of the RAT methodology, at least, for:
  a. separation minima infringements - SMI;
  b. runway incursions - RIN;
  c. technical events that cause a degradation and/or interruption of a service and/or a function instrumental to air traffic management (ATM Specific Occurrence - ASO).

  ENAV reports, collects and analyses the significant events occurring in the provision of air navigation services, in accordance with its SMS, through the eTOKAI application, which includes the Risk Analysis Tool of Eurocontrol, since, like any supplier of air navigation services to which the Performance Scheme applies, it must ensure that, at least for the reporting of the three types of events indicated above, the "ATM Ground" severity level is calculated, using pre-determined criteria (such as the potential impact, repeatability and probability of occurrence). The objective defined at the European level and implemented by ENAV under the Blue Med FAB performance plan requires achievement of a RAT Application of 80% for 2017 and 2018 and 100% from 2019.

  The values achieved for this specific Safety area indicator have been equal to or greater than the minimum targets since 2015.

Safety occurrence	Minimum Target 2018	2017 results	2016 results	2015 results
Analysis of ATM contribution to SMI	80%	90%	100%	85%
Analysis of ATM contribution to RIN	80%	100%	100%	93%
ASO analysis	80%	100%	100%	93%

- **Level of presence/absence of a just culture,** an indicator that measures the presence or absence of "just culture" principles. This parameter is measured by the percentage of positive answers to the questions of a specific questionnaire created by the European Aviation Safety Agency for the European Commission and requires at least 50% positive responses.

  In 2018, ENAV, as it has been since 2015, was compliant with the target, achieving 87.5% positive replies.

Finally, the Safety Plan was defined, with the aim of further improving Safety management, providing for the achievement of 14 objectives over a five-year plan horizon (2018-2022), broken down into 41 actions considered functional to implement the necessary measures to maintain or achieve the Safety targets and to develop and update the required information flows for monitoring safety performance that are transmitted to ENAC, the PRB and the European Commission.

Capacity

In ensuring its maximum contribution to the safety of operating activities, ENAV considers the quality of the services it provides, of which flight punctuality is an important part, to be a primary objective.
As in previous years, in 2018 the Company achieved an excellent level of performance, mainly reflecting the consolidation and expansion of the free-route model.

The 1.76 million IFR (Instrumental Flight Rules) and GAT flights assisted during en-route flight generated 42,616 minutes of delay attributable to Air Traffic Flow Management (ATFM), with an en-route delay per assisted flight of 0.024 minutes. This figure, just one-sixth the target set by the European Commission for 2018 (0.11 minutes/flight), is even more impressive in the light of the significant increase in the number of flights assisted during 2018, equal to an average increase of 5.9%, with a peak of 8.5% in December, without generating more ATFM delays.

This qualitative performance also has a financial aspect, in terms of the savings it represents for airlines that fly in Italian airspace. Based on data drawn from sector studies, which puts the average cost to carriers at €100 for each minute of ATFM delay, the improvement in punctuality enabled by ENAV compared with the European Commission target translates into about €15 million for carriers.

The following table shows a comparison between the targets set in the performance plan and results achieved in 2018.

Capacity En-route - Targets vs Actual Performance 2018			
	IFR/GAT Flights	**En-route Service Units**	**En-route ATFM Delay Cost/Min**
	1,755,012	9,433,866	100
		Performance Plan target	*Actual performance*
En-route ATFM Delay per Flight		0.11	0.024
En-route ATFM Minutes of Delay (Min)		193,051	42,616
En-route ATFM Delay Cost (Euro)		19,305,132	4,261,600

Even with regard to delays incurred by arriving flights (so-called airport capacity) in 2018, measured at the five airports covered by the Performance plan (Rome Fiumicino, Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio), ENAV out-performed the performance plan targets for the "due to ATM" indicator, as shown in the following table. This also made a significant contribution to the good performance of the general indicator "Terminal arrival ATFM delay", which includes all reasons for airport ATFM delay, including those not dependent on ATM services.

Capacity Terminal - targets vs actual performance 2018		
	Performance Plan target	**Actual performance**
Terminal Arrival ATFM	no more than 0.41 (minutes per assisted flight)	0.12
Terminal Arrival ATFM due to ATM	no more than 0.02 (minutes per assisted flight)	0.008

Performance and financial position of the ENAV Group

Definition of alternative performance measures

In addition to the financial data required by the International Financial Reporting Standards and in line with Consob communication no. 92543 of 3 December 2015 that incoporates the Guidelines (no. 2015/1415) issued on 5 October 2015 by the European Securities and Markets Authority (ESMA), ENAV uses a number of measures derived from the IFRS data to provide management with an additional metric for evaluating the performance achieved by the Parent Company and its subsidiaries, as well as ensuring greater comparability, reliability and understanding of financial information.

The following alternative performance measures are used:

- **EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)**: an indicator of profit before the effects of financial operations and taxation, as well as depreciation, amortisation and writedowns of property, plant and equipment and intangible assets and receivables and provisions, as reported in the financial statements and adjusted for investment grants directly related to the depreciating and amortising investments to which they refer;
- **EBITDA margin**: EBITDA expressed as a percentage of total revenues and adjusted for investment grants as specified above;
- **EBIT (Earnings Before Interest and Tax):** EBITDA less depreciation and amortisation adjusted for investment grants and writedowns of property, plant and equipment and intangible assets and receivables and provisions;
- **EBIT margin**: EBIT expressed as a percentage of total revenues less investment grants as specified above;
- **Net non-current assets**: a financial measure represented by the fixed capital employed in operations. It includes property, plant and equipment, intangible assets, investments in other entities, non-current trade receivables and payables, and other non-current assets and liabilities;
- **Net working capital**: capital employed in operations comprising 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 capital employed**: the sum of net non-current assets and net working capital;

- **Net capital employed**: the sum of gross capital employed, less employee benefit provisions, the provision for risks and charges and deferred tax assets net of deferred tax liabilities;
- **Net financial debt**: the sum of the current and non-current financial liabilities, current and non-current financial receivables net of non-current financial liabilities in respect of the fair value of derivative financial instruments and cash and cash equivalents;
- **Free cash flow**: the sum of the cash flow generated or absorbed by operating activities and the cash flow generated or absorbed by investing activities.

Changes in the scope of consolidation

In 2018, the scope of consolidation changed following the establishment in November 2018 of D-Flight, 100% owned by ENAV SpA, and consolidated on a full line-by-line basis.

Reclassified consolidated income statement

The ENAV Group closed 2018 with a net profit of €114.4 million, an increase of 12.7% compared with the previous year, when net profit amounted to €101.5 million. This result, which reflects an increase in revenues of 0.9% and a reduction in operating costs of 1%, was also affected by the positive effects of the settlement of a number of disputes and creditor positions for the Group.

(thousands of euros)	2018	2017	Change Amount	 %
Revenues from operations	924,585	863,161	61,424	7.1%
Balance	(80,687)	(17,223)	(63,464)	368.5%
Other operating income	45,842	35,886	9,956	27.7%
Total revenues	**889,740**	**881,824**	**7,916**	**0.9%**
Personnel costs	(480,216)	(478,422)	(1,794)	0.4%
Capitalised costs	31,101	29,133	1,968	6.8%
Other operating expenses	(143,244)	(148,940)	5,696	-3.8%
Total operating costs	**(592,359)**	**(598,229)**	**5,870**	**-1.0%**
EBITDA	**297,381**	**283,595**	**13,786**	**4.9%**
EBITDA margin	**33.4%**	**32.2%**	**1.2%**	
Net amortisation of investment grants	(128,731)	(130,330)	1,599	-1.2%
Writedowns, impairment (reversal of impairment) and provisions	(4,259)	(6,583)	2,324	-35.3%
EBIT	**164,391**	**146,682**	**17,709**	**12.1%**
EBIT margin	**18.5%**	**16.6%**	**1.9%**	
Financial income/(expense)	(3,192)	(2,929)	(263)	9.0%
Income before taxes	**161,199**	**143,753**	**17,446**	**12.1%**
Income taxes	(46,809)	(42,255)	(4,554)	10.8%
Profit (loss) for the year	**114,390**	**101,498**	**12,892**	**12.7%**
Earnings per share	0.21	0.19	0.02	

Revenues from operations amounted to €924.6 million, an increase of 7.1% compared with the previous year. They consisted of €911 million in revenues from the Parent company's core business and €13.6 million of revenues for activities carried out by the Group on the non-regulated market.

Revenues from core business recorded an overall increase of 7.3% compared with the previous year, and comprise to commercial en-route revenues in the amount of €675.4 million, an increase of 9.8% due to the rise of 9.3% in service units generated during the year involving all three types of air traffic. This mitigated the effect of the decline in en-route charges (-3.8% if we consider only charges excluding balances) although overall the en-route charge of €79.98 applied in 2018 was in line with that levied in 2017 (€80.00). Commercial terminal revenues amounted to €222.6 million, up 1.4%, compared with 2017, due to the increase of 5.1% in service units generated at individual airports broken down by charging zones, offsetting much of the reduction in the terminal charges applied in the three charging zones. In particular, Charging Zone 1, represented by Rome Fiumicino airport, posted an increase in assisted air traffic, expressed in service units, of +5.7% on 2017. This rise offset the 0.67% reduction in the terminal charge for 2018 to €187.30 (€188.57 in 2017). Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted an increase in assisted air traffic, expressed in service units, of +5.3%, which offset the reduction of 3.28% in the terminal charge for 2018 to €203.06 (€209.95 in 2017). Charging Zone 3, which comprises 40 medium- and low-traffic airports recorded an increase in assisted air traffic, expressed in service units, of +4.8% on 2017, which only partly offset 1.11% reduction in the terminal charge for 2018 to €320.18 (€323.79 in 2017).

Revenues from core business also include revenues for flights exempt from en-route and terminal charges, the fees for which are borne by the Ministry for the Economy and Finance. They amounted to €13.1 million, a decrease of 6.1% compared with 2017, due to the decline in service units handled during the year.

Revenues from the non-regulated market amounted to €13.6 million, a decrease of 5.8% compared with the previous year, mainly due to the completion of a number of projects in the foreign market, including the restructuring of the airspace in the United Arab Emirates, which is now being completed, and training for Libyan controllers. Revenues from the non-regulated market also include those for national and international radio-assistance control services of €2.6 million, training activities of €0.2 million and aeronautical consulting services and technical and engineering services of €10.7 million, including, among others, the construction of the new control tower at Mitiga airport in Libya, which recorded a sharp increase in activity during the year, and consulting for the Kuala Lumpur Air Traffic Control Centre in Malaysia.

The adjustment component for **balance**, an integral part of revenues from operations, had a negative impact of €80.7 million on revenues, €63.5 million more than in the previous year, reflecting a number of circumstances, including: i) a decrease in positive balances recorded during the year, with a total change of €21.5 million mainly due to the balance for en-route traffic risk, since the difference between the number of service units generated for the final balance in 2018 compared with the number forecast in the performance plan was -1.25%. This variation falls within the range of -/+2% that is borne by service providers, thereby not generating a balance for traffic risk, unlike in 2017 when it amounted to €17.2 million; ii) the registration of a negative balance of €10.6 million for the difference in Eurocontrol costs that emerged between the amount included in charges in 2017, in accordance with the performance plan figure, and the amount actually generated in the final balance for that year, amounting to €4.6 million. In order to ensure the correlation in the year of accrual between the adjustment component for balances with the revenues generated in the same year, the change in Eurocontrol costs between the amount included in the 2018 charge, in compliance with the performance plan, and the amount reported in the 2018 budget of €6 million was recognised. These Eurocontrol costs, which are not treated using the cost-risk mechanism, are reimbursed to carriers through the balance mechanism; iii) an increase of €55.2 million in balances recorded in previous years and incorporated in the 2018 charge and, therefore, in profit or loss, €31.1 million more than in 2017.

Other operating income amounted to €45.8 million, an increase of 27.7% compared with 2017, due to the recognition in profit or loss of the accrued share of European funding attributable to the Group, including that connected with projects funded at 50% under the 2014 and 2015 calls of the Connecting European Facility, the accounts for which were reported in July, for a total of €7 million. Other factors included the capital gain realized on the sale of the Academy complex in Forlì for €0.7 million and the effects associated with the settlement of outstanding disputes with a number of suppliers that made it possible to pay only the appropriate consideration, with the simultaneous cancellation of the debt carried on the books.

Operating costs totalled €592.4 million, with a net decrease of 1% compared with the previous year. The various components of the item displayed divergent trends, with personnel costs rising by 0.4%, other operating costs declining by 3.8% and capitalised costs rising by 6.8% due to an increase in the in-house implementation of investment projects by Techno Sky.

Personnel costs totalled €480.2 million. The aggregate reflected a decrease in fixed remuneration of 0.3%, mainly due to the reduction of the Group's workforce by 67 in effective terms and 61 on average, bringing the workforce to 4,114 (4,181 in 2017). This offset both the higher cost associated with the renewal of the bargaining agreement and the normal increase in remuneration as a result of automatic contractual mechanisms. There was also a net reduction of 3.4% in variable remuneration, the net effect of a number of factors, including an increase in overtime for operational personnel due to the greater volume of air traffic handled during the year by the Parent Company, a reduction in the unused holiday entitlement as the use of holiday time increased during the year, a reduction in costs deriving from the harmonisation of the collective bargaining agreement at the Techno Sky subsidiary with the collective bargaining agreement for the air transport sector under agreements reached between the social partners. Factors working in the other direction include an increase of €4.2 million in other personnel costs, mainly due to an increase in costs for early retirement incentives for employees and executives, which involved a total of 55 staff in 2018, compared with 9 in 2017.

Other operating expenses posted a net decrease of 3.8% compared with 2017, reflecting a generalised decline in various cost items, including a reduction of 15.9% in costs for utilities and telecommunications services, comprising both the costs of the unified IP MPLS management network for the Group and for the data connections of the E-NET network as a result of the decommissioning of older circuits and a larger discount from the supplier; a reduction of 4.6% in cleaning and security costs, due mainly to the termination of reception services contracts, effective from 1 September 2017, as those activities have now been insourced; a reduction of 11.5% in costs for professional services, mainly reflecting an decline in recourse to external professionals; and a reduction of 13.6% in costs for leases and rentals, reflecting the termination of a number of Parent Company property leases with the consequent transfer of some personnel to the new Rome Ciampino offices and some to a new building leased with smaller lease payments.

These figures positively impacted **EBITDA**, generating an increase of 4.9% compared with 2017, reaching €297.4 million with an EBITDA margin of 33.4% (32.2% in 2017).

EBIT amounted to €164.4 million, an increase of €17.7 million compared with the previous year (€146.7 million). Depreciation and amortisation of €128.7 million, net of investment grants, decreased by 1.2%

compared with 2017, and writedowns of receivables and the use of provisions for risks totalled €4.3 million, €2.3 million less than in the previous year. Provisions for risks were used in the settlement of a number of disputes with personnel and suppliers that allowed the release to €3.3 million to profit or loss, partly offsetting the writedown of receivables carried out in accordance with the new IFRS 15. This also included the writedown of the remaining 50% of the terminal receivable due from Alitalia, which had accrued prior to the declaration of insolvency by the carrier on 2 May 2017, in the amount of €3.5 million. The EBIT margin at the end of 2018 was 18.5%, an improvement of 12.1% on the 16.6% posted in 2017.

Financial income and expense show net expense of €3.2 million, an increase of 9% compared with the previous year, mainly due to higher interest expense on loans related to drawings on the second tranche of the loan from the EIB at the end of 2017, the discounting of receivables recognised in the year for projects with NOP financing and for the sale of the Academy complex, the proceeds from which will be collected in subsequent years.

Income taxes amounted to €46.8 million, an increase of €4.5 million compared with the previous year. If only current taxes are considered, the tax rate was 24.1%, down from the 30% registered the previous year, reflecting the use of provisions taxed in previous years. This effect more than offset the higher pre-tax income generated during the year.

As a result of the foregoing, **net profit for the year** came to €114.4 million, an increase of 12.7% compared with 2017, when it amounted to €101.5 million, entirely attributable to shareholders of the Group.

Reclassified consolidated statement of financial position

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Property, plant and equipment	1,000,063	1,027,516	(27,453)
Intangible assets	122,368	124,414	(2,046)
Investments in other entities	60,306	51,217	9,089
Non-current trade receivables and payables	(16,394)	64,526	(80,920)
Other non-current assets and liabilities	(113,258)	(68,394)	(44,864)
Net non-current assets	**1,053,085**	**1,199,279**	**(146,194)**
Inventories	61,001	60,986	15
Trade receivables	268,076	285,810	(17,734)
Trade payables	(126,122)	(130,854)	4,732
Other current assets and liabilities	(74,714)	(134,635)	59,921
Assets held for sale net of related liabilities	1,458	695	763
Net working capital	**129,699**	**82,002**	**47,697**
Gross capital employed	**1,182,784**	**1,281,281**	**(98,497)**
Employee benefit provisions	(52,280)	(55,636)	3,356
Provisions for risks and charges	(2,707)	(9,479)	6,772
Deferred tax assets net of liabilities	11,720	21,281	(9,561)
Net capital employed	**1,139,517**	**1,237,447**	**(97,930)**
Shareholders' equity	1,137,559	1,119,965	17,594
Net financial debt	1,958	117,482	(115,524)
Total funding	**1,139,517**	**1,237,447**	**(97,930)**

Thousands of euros

Net capital employed amounted to €1,139.5 million, a decrease of €97.9 million compared with 31 December 2017, as a result of the changes in the following items.

Net non-current assets of €1,053.1 million decreased by €146.2 million compared with 31 December 2017, due to: i) a decrease of €29.5 million in property, plant and equipment and intangible assets as a result of the recognition of higher depreciation on investments under construction during the year; ii) an increase of €9 million in investments in other entities, mainly reflecting the adjustment of the investment in Aireon to fair value, in accordance with IFRS 9, which generated an overall carrying amount $68.9 million. In 2018, Aireon's shareholder structure was changes following the entry of the British service provider NATS, which led to a dilution of the stake held by the Group to 9.1% (10.7% at 31 December 2017), although this will increase to 11.1% after execution of the redemption clause; iii) a net reduction in non-current trade receivables and payables of €80.9 million as a result of the decrease in positive balances recorded in the year, combined with an increase in reclassifications to current trade receivables and trade payables of the balances that will be included in charges in 2019; iv) an increase of €44.9 million in other non-current assets and liabilities, mainly due to the recognition in deferred income of receivables from government entities for capital grants for the year, totalling €53.9 million, as a result the grant of funding for investments in airports and area control centres in southern Italy under the National Operational Programme (NOP) Infrastructure and Networks 2014-2020, on the basis of agreements signed with the Ministry of Infrastructure and Transport that have been registered at the Court of Auditors.

Net working capital came to €129.7 million, an increase of €47.7 million compared with 31 December 2017. The main changes concerned: i) a decrease of €17.8 million in trade receivables, including €8 million in receivables from Eurocontrol, mainly due to the collection of open positions in the previous year, including the en-route receivable due from Alitalia before admission to the special administration procedure that declared the company insolvent, in accordance with the agreement reached with Eurocontrol in December 2017 for €10.9 million, together with other positions that offset the increase in turnover in the final months of the year compared with 31 December 2017; the collections of the receivables due from the management companies Soaco and Valerio Catullo, following the favourable ruling of the Court of Appeal, for a total of €16.6 million; an increase of €9.9 million in current receivables for balances due to the larger amount to be included in charges in 2019; ii) the change in other current assets and liabilities, which resulted in a net reduction in liabilities of €59.9 million, mainly due to the increase in assets recognised in respect of the receivable from the European Commission for interim payments on projects financed through the 2014 and 2015 call of the CEF, which were accounted for and reported in July 2018, for a total of €17.5 million, and the receivable from government entities for capital grants following the admission to funding under the 2014-2020 NOP of a number of investment projects, the current portion of which amounts to €34.8 million.

Net capital employed also reflected the employee benefits provision in the amount of a negative €52.3 million euro, which decreased by €3.3 million during the year as a result of benefit payments and advances paid to employees and the actuarial gain recognised at 31 December 2018. It also reflected provisions for risks and charges of €2.7 million, which decreased during the year due to the favourable settlement of a number of disputes with employees and suppliers, and deferred tax assets and liabilities in the net positive amount of €11.7 million, a net decrease of €9.6 million, mainly due to the reversal to profit or loss of deferred tax assets recognised in respect of taxed provisions and the provision for doubtful accounts.

Shareholders' equity amounted to €1,137.6 million, an increase of €17.6 million compared with 31 December 2017, reflecting profit for 2018 of €114.4 million, an increase of €12.9 million compared with 2017, the reserve from the fair value adjustment of the investment in Aireon in the amount of €5.3 million net of tax effects, the reserve for the translation into euros of the financial statements of foreign subsidiaries in the amount of €2.5 million and the actuarial gain of €1 million recognised in 2018 by the Group, net of tax effects. These positive factors were partly offset by the reduction in equity resulting from the payment of the dividend of €100.9 million and the purchase of treasury shares for €4.9 million.

Net financial debt amounted to €1.9 million, a substantial improvement of €115.5 million on the figure registered at 31 December 2017, as shown in the following table:

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Cash and cash equivalents	316,311	263,325	52,986
Current financial receivables	9,007	325	8,682
Current financial debt	(14,924)	(30,462)	15,538
Net current financial position	**310,394**	**233,188**	**77,206**
Non-current financial receivables	24,901	0	24,901
Non-current financial debt	(337,253)	(350,670)	13,417
Non-current financial debt	**(312,352)**	**(350,670)**	**38,318**
Net financial debt	**(1,958)**	**(117,482)**	**115,524**

At 31 December 2018, the decrease of €115.5 million in net financial debt reflects, on the one hand, the effect of developments in receipts and payments connected with ordinary operations, which generated a positive cash flow thanks to an increase in traffic assisted during the year, and, on the other, by the following main events: i) payment of the dividend of €100.9 million; ii) payment of the payable to the Ministry for the Economy and Finance of €45.9 million; iii) the payment of €15.7 million to the Italian Air Force for the portion of terminal collections pertaining to it; iv) the payment of the balance and payments on account for IRES and IRAP in the amount of €43.5 million; and v) the purchase of treasury shares for €4.9 million.

Consolidated statement of cash flows

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Cash flow generated/(absorbed) by operating activities	308,047	193,638	114,409
Cash flow generated/(absorbed) by investing activities	(120,745)	(115,016)	(5,729)
Cash flow generated/(absorbed) by financing activities	(133,928)	(46,094)	(87,834)
Cash flow for the year	**53,374**	**32,528**	**20,846**
Cash and cash equivalents at the beginning of the year (*)	**264,275**	**231,811**	**32,464**
Exchange rate difference on cash	67	(64)	131
Cash and cash equivalents at end of the year (*)	**317,716**	**264,275**	**53,441**
Free cash flow	**187,302**	**78,622**	**108,680**

(*) Cash and cash equivalents at the beginning of the year include €950 thousand in liquidity of the Sicta Consortium in liquidation, while at the end of the year that liquidity amounted to €1,406 thousand.

Cash flows from operating activities generated at 31 December 2018 amounted to €308 million euros, up €114.4 million euros on the previous year. This positive flow reflected a series of factors, including: i) the reduction of current and non-current trade receivables due to the collection of receivables accrued in previous periods, including the receivables due from Alitalia, from other carriers, from the management companies Valerio Catullo and Soaco, and from foreign customers and for the reduction in the positive balances recorded in 2018; ii) the change in other current and non-current assets and liabilities, generating a decrease in liabilities of €7.9 million as a result of the reduction in amounts due to pension funds as a result of the new payment method introduced from January 2018, with a shift from semi-annual payments to monthly payments. The previous year, the change in other current and non-current assets and liabilities had reduced liabilities by €47.8 million, mainly due to the payment of the debt for 2015 to the Ministry for the Economy and Finance, which fell due last year; iii) current and non-current trade payables showed a net decrease of €22.3 million, reflecting an increase in payables for balances and a decrease in payables to suppliers, thanks in part to the settlement of positions opened in previous years; and iv) the increase of €12.9 million in profit for the year.

Cash flows from investing activities at 31 December 2018 absorbed cash in the amount of €120.7 million euro, up €5.7 million euro compared with the figure at 31 December 2017. The change, with capital expenditure increasing by €1.6 million to €117 million compared with the previous year, reflects a decrease in payments to suppliers for investment projects, due in part to the fact that progress on the various activities was concentrated in the final months of the year, and the investment in financial assets of €33.9 million relating to the subscription of a time deposit of €9 million for one year and the investment of €24.9 million in two government securities (BTPs) falling due in 2020. Cash flows from investing activities in the previous year included the payment of the third and fourth tranches of the price for the purchase of the stake in Aireon in the amount of €16.9 million.

Cash flows from financing activities absorbed cash in the amount of €133.9 million, an increase of €87.8 million compared with 31 December 2017, reflecting the payment of the dividend of €100.9 million, repayments of loans amounting to €28.9 million and the purchase of treasury shares for €4.9 million. The change compared with the previous year is mainly attributable to the liquidity obtained at the end of 2017 from the second tranche of the EIB loan in the amount of €80 million, which partially offset the liquidity outflow for the payment of the dividend and the repayment of loans.

Free cash flow amounted to €187.3 million, benefiting from the cash flow generated by operating activities, which made it possible to cover the cash flow absorbed by investing activities.

Performance and financial position of ENAV S.p.A.

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

Reclassified income statement

ENAV S.p.A. closed 2018 with a net profit of €102.9 million, an increase of 8.9% compared with the previous year, when net profit amounted to €94.5 million.

(thousands of euros)	**2018**	**2017**	**Change Amount**	**Change %**
Revenues from operations	917,116	859,202	57,914	6.7%
Balance	(80,687)	(17,223)	(63,464)	n.a.
Other operating income	47,018	36,381	10,637	29.2%
Total revenues	**883,447**	**878,360**	**5,087**	**0.6%**
Personnel costs	(421,176)	(415,966)	(5,210)	1.3%
Capitalised costs	7,449	7,590	(141)	-1.9%
Other operating expenses	(186,382)	(194,354)	7,972	-4.1%
Total operating costs	**(600,109)**	**(602,730)**	**2,621**	**-0.4%**
EBITDA	**283,338**	**275,630**	**7,708**	**2.8%**
EBITDA margin	**32.1%**	**31.4%**	**0.7%**	
Net amortisation of investment grants	(131,232)	(132,582)	1,350	-1.0%
Writedowns, impairment (reversal of impairment) and provisions	(4,154)	(6,568)	2,414	-36.8%
EBIT	**147,952**	**136,480**	**11,472**	**8.4%**
EBIT margin	**16.7%**	**15.5%**	**1.2%**	
Financial income/(expense)	(3,134)	(2,715)	(419)	-15.4%
Income before taxes	**144,818**	**133,765**	**11,053**	**8.3%**
Income taxes	(41,883)	(39,260)	(2,623)	6.7%
Profit (loss) for the year	**102,935**	**94,505**	**8,430**	**8.9%**

Revenues from operations amounted to €917.1 million, an increase of 6.7% compared with the previous year, mainly reflecting an increase in revenues from the core business registered in 2018. More specifically, commercial **en-route revenues** amounted €675.4 million, an increase of 9.8% due to the rise of 9.3% in service units generated during the year. This mitigated the effect of the decline in en-route charges (-3.8% if we consider only charges excluding balances) although overall the en-route charge of €79.98 applied in 2018 was in line with that levied in 2017 (€80.00).

Commercial **terminal revenues** amounted to €222.6 million, up 1.4%, compared with 2017, due to the increase of 5.1% in service units generated at individual airports broken down by charging zones, offsetting much of the reduction in the terminal charges applied in the three charging zones. In particular, Charging Zone 1, represented by Rome Fiumicino airport, posted an increase in assisted air traffic, expressed in service units, of +5.7% on 2017. This rise offset the 0.67% reduction in the terminal charge for 2018 to €187.30 (€188.57 in 2017). Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted an increase in assisted air traffic, expressed in service units, of +5.3%, which offset the reduction of 3.28% in the terminal charge for 2018 to €203.06 (€209.95 in 2017). Charging Zone 3, which comprises 40 medium- and low-traffic airports recorded an increase in assisted air traffic, expressed in service units, of +4.8% on 2017, which only partly offset 11.11% reduction in the terminal charge for 2018 to €320.18 (€323.79 in 2017).

Revenues for flights exempt from en-route and terminal charges, the fees for which are borne by the Ministry for the Economy and Finance. They amounted to €13.1 million, a decrease of 6.1% compared with 2017, due to the decline in service units handled during the year.

Revenues from the non-regulated market amounted to €6 million, a decrease of 4.3% compared with the previous year, mainly due to the project for the restructuring of the airspace in the United Arab Emirates, which is now being completed, and the absence of a number of training initiatives performed in 2017.

The adjustment component for **balance**, an integral part of revenues from operations, had a negative impact of €80.7 million on revenues, €63.5 million more than in the previous year, reflecting a number of circumstances, including: i) a decrease in positive balances recorded during the year, with a total change of €21.5 million mainly due to the balance for en-route traffic risk, since the difference between the number of service units generated for the final balance in 2018 compared with the number forecast in the performance plan was -1.25%. This variation falls within the range of -/+2% that is borne by service providers, thereby not generating a balance for traffic risk, unlike in 2017 when it amounted to €17.2 million; ii) the registration of a negative balance of €10.6 million for the difference in Eurocontrol costs that emerged between the amount included in charges in 2017, in accordance with the performance plan figure, and the amount actually generated in the final balance for that year, amounting to €4.6 million. In order to ensure the correlation in the year of accrual between the adjustment component for balances with the revenues generated in the same year, the change in Eurocontrol costs between the amount included in the 2018 charge, in compliance with the performance plan, and the amount reported in the 2018 budget of €6 million was recognised. These Eurocontrol costs, which are not treated using the cost-risk mechanism, are reimbursed to carriers through the balance mechanism; iii) an increase of €55.2 million in balances recorded in previous years and incorporated in the 2018 charge and, therefore, in profit or loss, €31.1 million more than in 2017.

Other operating income amounted to €47 million, an increase of 29.2% compared with 2017, due to the recognition in profit or loss of the accrued share of European funding, including that connected with projects funded at 50% under the 2014 and 2015 calls of the Connecting European Facility and SESAR 2020. Other factors included the capital gain realized on the sale of the Academy complex in Forlì for €0.7 million and the effects associated with the settlement of outstanding disputes with a number of suppliers that made it possible to pay only the appropriate consideration, with the simultaneous cancellation of the debt carried on the books.

Operating costs totalled €600.1 million, with a net decrease of 0.4% compared with the previous year. Personnel costs rose by 1.3%, while other operating costs declined by 4.1% and capitalised costs were broadly unchanged.

Personnel costs totalled €421.2 million. The aggregate reflected no change in fixed remuneration due to the reduction of the Group's workforce by 44 in effective terms and 28 on average, bringing the workforce to 3,320 (3,364 in 2017) which offset both the higher cost associated with the renewal of the bargaining agreement and the normal increase in remuneration as a result of automatic contractual mechanisms. There was also a net increase of 2.0% in variable remuneration due to an increase in overtime for operational personnel due to the greater volume of air traffic handled during the year, a reduction in the unused holiday entitlement of €1.3 million as the use of holiday time increased during the year, and a reduction in costs connected with indemnities for holidays falling on non-business days. Other personnel costs increased by a net €3.4 million, reflecting early retirement incentives for employees and executives amounting to €5.5 million and health insurance in the amount of €3.9 million, a decrease on 2017 as a result of the reduction in costs obtained under the new collective bargaining agreement that entered force in January 2018.

Other operating expenses posted a net decrease of 4.1% compared with 2017, reflecting a generalised decline in various cost items, including a reduction of 15.9% in costs for utilities and telecommunications services, a reduction of 6.2% in cleaning and security costs, a reduction of 20.5% in costs for professional services, and a reduction of 30.3% in costs for leases and rentals.

These figures positively impacted **EBITDA**, generating an increase of 2.8% compared with 2017, reaching €283.3 million with an EBITDA margin of 32.1% (31.4% in 2017).

EBIT amounted to €147.9 million, an increase of €11.4 million compared with the previous year (€136.5 million). Depreciation and amortisation amounted to €131.2 million, net of investment grants, and writedowns of receivables and the use of provisions for risks totalled €4.1 million, €2.4 million less than in the previous year. The EBIT margin at the end of 2018 was 16.7%, an improvement of 1.2% on the 15.5% posted in 2017.

Financial income and expense show net expense of €3.1 million, an increase of 15.4% compared with the previous year, mainly due to a reduction in financial income from the discounting of balances compared with 2017, which had benefited from greater income in respect of the discounting receivables for balances of Charging Zone 3, positions that were closed in compliance with Article 51 of Decree Law 50/2017, which granted the Parent Company €26 million to curtail rate increases for Terminal Charging Zone 3. This was partly offset by legal interest of €1.4 million on the receivable due from the management company Valerio Catullo. Financial expense increased by 14.1% as a result of higher interest expense on loans due to drawings on the second tranche of the loan from the EIB at the end of 2017 and the discounting of receivables recognised in the year for projects with NOP financing and for the sale of the Academy complex, the proceeds from which will be collected in subsequent years.

Income taxes amounted to €41.9 million, an increase of €2.6 million compared with the previous year. If only current taxes are considered, the tax rate was 23.4%, down from the 29.9% registered the previous year, reflecting the use of provisions taxed in previous years. This effect more than offset the higher pre-tax income generated during the year.

As a result of the foregoing, **net profit for the year** came to €102.9 million, an increase of 8.9% compared with 2017, when it amounted to €94.5 million.

Reclassified statement of financial position

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Property, plant and equipment	1,020,987	1,047,735	(26,748)
Intangible assets	55,797	57,773	(1,976)
Investments in other entities	147,121	147,071	50
Non-current trade receivables and payables	(16,394)	64,526	(80,920)
Other non-current assets and liabilities	(127,212)	(83,089)	(44,123)
Net non-current assets	**1,080,299**	**1,234,016**	**(153,717)**
Inventories	60,983	60,968	15
Trade receivables	264,341	281,987	(17,646)
Trade payables	(120,319)	(124,984)	4,665
Other current assets and liabilities	(107,778)	(158,438)	50,660
Assets held for sale net of related liabilities	705	705	0
Net working capital	**97,932**	**60,238**	**37,694**
Gross capital employed	**1,178,231**	**1,294,254**	**(116,023)**
Employee benefit provisions	(35,475)	(37,703)	2,228
Provisions for risks and charges	(2,402)	(9,164)	6,762
Deferred tax assets net of liabilities	6,401	14,554	(8,153)
Net capital employed	**1,146,755**	**1,261,941**	**(115,186)**
Shareholders' equity	1,139,897	1,141,670	(1,773)
Net financial debt	6,858	120,271	(113,413)
Total funding	**1,146,755**	**1,261,941**	**(115,186)**

Net capital employed amounted to €1,146.7 million, a decrease of €115.2 million compared with 31 December 2017, as a result of the changes in the following items.

Net non-current assets of €1,080.3 million decreased by €153.7 million compared with 31 December 2017, due to: i) a decrease of €28.7 million in property, plant and equipment and intangible assets as a result of the recognition of higher depreciation on investments under construction during the year; ii) a net reduction in non-current trade receivables and payables of €80.9 million as a result of the decrease in positive balances recorded in the year, combined with an increase in reclassifications to current trade receivables and trade payables of the balances that will be included in charges in 2019; iii) an increase of €44.1 million in other non-current assets and liabilities, mainly due to the increase in liabilities in respect of the recognition in deferred income of receivables from government entities for capital grants for the year, as a result the grant of funding for investments in airports and area control centres in southern Italy under the National Operational Programme (NOP) Infrastructure and Networks 2014-2020, on the basis of agreements signed with the Ministry of Infrastructure and Transport that have been registered at the Court of Auditors.

Net working capital came to €97.9 million, an increase of €37.7 million compared with 31 December 2017. The main changes concerned: i) a decrease of €17.6 million in trade receivables, including €8 million in receivables from Eurocontrol, mainly due to the collection of open positions in the previous year, including the en-route receivable due from Alitalia before admission to the special administration procedure that declared the company insolvent, in accordance with the agreement reached with Eurocontrol in December 2017 for €10.9 million, together with other positions that offset the increase in turnover in the final months of the year compared with 31 December 2017; the collections of the receivables due from the management companies Soaco and Valerio Catullo, following the favourable ruling of the Court of Appeal, for a total of €16.6 million; an increase of €9.9 million in current receivables for balances due to the larger amount to be included in charges in 2019; ii) the change in other current assets and liabilities, which resulted in a net reduction in liabilities of €50.6 million, mainly due to the increase in assets recognised in respect of the receivable from the European Commission for interim payments on projects financed through the 2014 and 2015 call of the CEF, which were accounted for and reported in July 2018, for a total of €17.5 million, and the receivable from government entities for capital grants following the admission to funding under the 2014-2020 NOP of a number of investment projects, the current portion of which amounts to €34.8 million.

Net capital employed also reflected the employee benefits provision in the amount of a negative €35.5 million euro, which decreased by €2.2 million during the year as a result of benefit payments and advances paid to employees and the actuarial gain recognised at 31 December 2018. It also reflected provisions for risks and charges of €2.4 million, which decreased during the year due to the favourable settlement of a number of disputes with employees and suppliers, and deferred tax assets and liabilities in the net positive amount of €6.4 million, a net decrease of €8.1 million, mainly due to the reversal to profit or loss of deferred tax assets recognised in respect of taxed provisions and the provision for doubtful accounts.

Shareholders' equity amounted to €1,139.9 million, a net decrease of €1.8 million compared with 31 December 2017, reflecting profit for 2018 of €102.9 million, an increase of €8.4 million compared with 2017, the actuarial gain of €0.9 million recognised in 2018, net of tax effects, and the recognition of the accrued portion for the year of long-term incentive plans in the amount of €0.7 million. These positive factors were offset by the reduction in equity resulting from the payment of the dividend of €100.9 million and the purchase of treasury shares for €4.9 million.

Net financial debt amounted to €6.9 million, a substantial improvement of €113.4 million on the figure registered at 31 December 2017, as shown in the following table:

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Cash and cash equivalents	308,206	257,550	50,656
Current financial receivables	9,007	325	8,682
Current financial debt	(14,924)	(30,462)	15,538
Net current financial position	**302,289**	**227,413**	**74,876**
Non-current financial receivables	28,106	2,986	25,120
Non-current financial debt	(337,253)	(350,670)	13,417
Non-current financial debt	**(309,147)**	**(347,684)**	**38,537**
Net financial debt	**(6,858)**	**(120,271)**	**113,413**

At 31 December 2018, the decrease of €113.4 million in net financial debt reflects, on the one hand, the effect of developments in receipts and payments connected with ordinary operations, which generated a positive cash flow thanks to an increase in traffic assisted during the year, and, on the other, by the following main events: i) payment of the dividend of €100.9 million; ii) payment of the payable to the Ministry for the Economy and Finance of €45.9 million; iii) the payment of €15.7 million to the Italian Air Force for the portion of terminal collections pertaining to it; iv) the payment of the balance and payments on account for IRES and IRAP in the amount of €39.8 million; and v) the purchase of treasury shares for €4.9 million.

Statement of cash flows

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Cash flow generated/(absorbed) by operating activities	306,119	196,172	109,947
Cash flow generated/(absorbed) by investing activities	(120,795)	(102,617)	(18,178)
Cash flow generated/(absorbed) by financing activities	(134,668)	(49,750)	(84,918)
Cash flow for the year	**50,656**	**43,805**	**6,851**
Cash and cash equivalents at the beginning of the year	**257,550**	**213,745**	**43,805**
Cash and cash equivalents at end of the year	**308,206**	**257,550**	**50,656**
Free cash flow	**185,324**	**93,555**	**91,769**

Cash flows from operating activities generated at 31 December 2018 amounted to €306 million euros, up €109.9 million euros on the previous year. This positive flow reflected a series of factors, including: i) the reduction of current and non-current trade receivables due to the collection of receivables accrued in previous periods, including the en-route receivables due from Alitalia, from other carriers and from management companies, as well as the reduction in the positive balances recorded in 2018; ii) the change in other current and non-current assets and liabilities, generating a decrease in liabilities of €4.9 million as a result of the reduction in amounts due to pension funds as a result of the new payment method introduced from January 2018, with a shift from semi-annual payments to monthly payments; iii) current and non-current trade payables showed a net decrease of €25.5 million, reflecting an increase in payables for balances and a decrease in payables to suppliers, thanks in part to the settlement of positions opened in previous years; and iv) the increase of €8.4 million in profit for the year.

Cash flows from investing activities at 31 December 2018 absorbed cash in the amount of €120.8 million euro, up €5.7 million euro compared with the figure at 31 December 2017. The change, with capital expenditure increasing by €2.5 million to €120.2 million compared with the previous year, reflects a decrease in payments to suppliers for investment projects and the investment in financial assets of €33.9 million relating to the subscription of a time deposit of €9 million for one year and the investment of €24.9 million in two government securities (BTPs) falling due in 2020. Cash flows from investing activities in the previous year included the payment to Enav North Atlantic of the fourth tranches of the price for the purchase of the stake in Aireon in the amount of €4.5 million.

Cash flows from financing activities absorbed cash in the amount of €134.7 million, an increase of €84.9 million compared with 31 December 2017, reflecting the payment of the dividend of €100.9 million, repayments of loans amounting to €28.9 million and the purchase of treasury shares for €4.9 million. The change compared with the previous year is mainly attributable to the liquidity obtained at the end of 2017 from the second tranche of the EIB loan in the amount of €80 million, which partially offset the liquidity outflow for the payment of the dividend and the repayment of loans.

Free cash flow amounted to €187.3 million, benefiting from the cash flow generated by operating activities, which made it possible to cover the cash flow absorbed by investing activities.

Human resources

At 31 December 2018 the ENAV Group workforce numbered 4,114 employees, a decrease of 67 employees compared with 2017, while the average headcount of 4,182 showed a decrease of 61 employees. The Group provides flight assistance services and operational system maintenance throughout the national territory, and is developing aeronautical consulting and commercial activities in Malaysia.

The Group personnel costs amounted to €480.2 million, essentially in line with the previous year.

Industrial relations

During 2018, dialogue with the social partners essentially focused on three main issues: i) the renewal of the economic section of the national collective bargaining agreement; ii) the implementation of the

Business Plan; and iii) the transfer of Techno Sky personnel from the national collective bargaining agreement for engineering workers to that for air transport workers.

The signing of the renewal of the economic section of the air transport bargaining agreement and the specific Strategic Plant and Low-Traffic Plant sections, which took place at the Ministry of Infrastructure and Transport on 17 July 2018, consequently kicked off discussions with the trade unions in the second half of the year to renew the work-rules section of the contract.

At the same time, the technological and organisational changes set out in the 2018-2022 Business Plan, which were illustrated to the trade unions under the aegis of the Joint Guarantee Body on 15 March 2018, led to a long series of meetings and heated discussions, which have not yet led to agreement with the trade unions.

To date, the numerous meetings held under the aegis of the Joint Guarantee Body, within joint Company working groups and at the Ministry of Infrastructure and Transport have not yet produced an agreement on the policies for implementing the Business Plan. In this regard, disputes initiated by a number of trade unions clearly underscore the resistance to the implementation and the operational innovations of the Business Plan on the part of some trade union representatives.

On 26 October 2018, with the signing of a draft agreement between Techno Sky and the trade unions representing engineering workers, the more than two years of negotiations to approve the transfer of employees, with effect from 1 January 2019, from the national collective bargaining agreement for engineering workers to that for workers in the air transport - ATM services industry were successfully completed. This draft agreement was subsequently ratified in a company referendum, with over 90% of staff voting in favour of the accord.

Training

The number of training hours provided by Academy during 2018 totalled 73,918 for 1,409 participants (55,171 hours and 2,190 participants in 2017), divided into: 18,181 hours of ab-initio training (35 participants), 10,265 hours of advanced training (32 participants), 19,802 hours of ongoing training (789 participants), 21,143 hours of training for external customers (237 participants), 2,087 hours of e-learning training (201 participants) and 1,735 hours of human performance training (86 participants). In addition 4,948 hours of language skills assessment and training were also provided (1,237 participants).

In 2018 two basic courses for Approach Control Procedural rating, Aerodrome Control Instrument Rating, and Aerodrome Radar Control Endorsement and two Area Control Surveillance courses were completed, increasing the proportion of ab initio and conversion courses, which as they tend to be longer were accompanied by a marked increase in the number of training hours provided (+34% on 2017), despite a decrease in the total number of participants (-36%).

The start of the training campaign for controllers to retain their licenses and the continuation of the Assessor and On-the-job training instructor refresher programmes led to a considerable increase in ongoing training initiatives and the number of participants involved, further strengthening the collaboration between Corporate Academy and the training units at airports and en-route facilities.
Training activities for the external customers, which declined compared with 2017 when training was being provided to Libyan controllers, were supported by 16,059 hours of training for projects on the books, which alone represented over 75% of external projects and over 20% of the total training hours provided by the Academy.
In Human Factor Training, 2018, as in the previous year, saw the implementation of the activities planned in the three-year I-HPI Inside Human Performance Improvement plan initiated last year, with the delivery of 1,735 hours of training.
With regard to management and specialist training, in 2018 training sessions involved a total of 7,688 hours and 722 staff. The training involved a coaching project for the executives of the Finance and Procurement unit, the head of the Risk Management unit and the head of the Techno Sky Administration and Control unit, as well as an induction course for 15 new hires of ENAV and Techno Sky, project management courses, a course on issues related to the Public Contracts Code and an e-learning course on the General Data Protection Regulation (GDPR 679/2016).
Finally, three types of language training were activated, for a total of 2,810 hours and 90 participants, comprising 2,311 hours of multimedia courses, 322 hours of classroom courses for 17 executives and 3 workshops aimed at improving foreign-language communication techniques and negotiating skills.

Workplace health and safety

At the beginning of 2018, in compliance with Article 16 of Legislative Decree 81/08, specific employer delegations of duties were granted by both ENAV and Techno Sky. More specifically, the ENAV system of delegated powers was reinforced with the assignment of specific sub-delegations and the appointment of eighteen additional employees to the protection and prevention service, working around the country and under the functional coordination of headquarters. The roles of executive and supervisor pursuant to Article 2 of Legislative Decree 81/08 were explicitly defined within the organisation.
In October 2018, the new “Health and Safety” unit was established to supervise compliance with the obligations established with Legislative Decree 81/08 (the Consolidated Workplace Health and Safety Act).
In compliance with Article 17 of Legislative Decree 81/08, the employer carried out the assessment of all risks and has consequently drawn up the Risk Assessment Document (RAD). During 2018 the RADs of ENAV and Techno Sky were updated to account for organisational or structural changes that may have altered the risks faced by employees.

An Emergency and Evacuation Plan was drawn up for each ENAV site, and 58 evacuation drills were carried out in accordance with the regulatory provisions.
With regard to health monitoring, Alcohol/Alcohol & Tox testing was conducted and workers subject to surveillance underwent medical examinations in accordance with the approved health protocols, while mandatory training in the field of workplace health and safety of workers was provided.
With regard to the analysis of injuries, out of 31 accidents occurring at ENAV, 23 were classified as having occurred in travel to and from work, while those that occurred at work (8) were not directly attributable to the tasks performed by the workers involved (e.g. slips and falls). For Techno Sky, 14 of the 19 injuries were considered as having occurred in travel to and from work, while the 5 that occurred at work are only partly attributable to the job performed by the worker and were in any case found to be minor.
In accordance with Article 35 of Legislative Decree 81/08, all scheduled meetings were held, called by each employer-delegated safety officer, from which no particular critical issues emerged.
Finally, as regards the implementation of Occupational Health and Safety Management Systems at the Group level, following the positive results of the initial audits carried out by the international certification body DNV GL Business Assurance, in the November 2018 the latter issued certifications for both Occupational Health and Safety Management Systems in accordance with the OHSAS 18001: 2007 standard.
On the environmental protection front, specific activities were initiated to define and standardise company processes, in compliance with Legislative Decree 152/06 and other applicable legislation, implemented through the progressive adaptation of internal rules. In particular, procedures, guidelines and instructions were further developed to support operations in the management of hazardous waste – including that generated by maintenance activities - with periodic monitoring and reporting. In the waste management area, a national survey of all temporary deposits was conducted to assess the level of use and any need for expansion or reorganisation.
At the same time, the system of delegated and sub-delegations of functions used to assign specific powers and responsibilities for environmental protection issues became operational at the Group level. Specific training was also carried out for the delegated and sub-delegated officers and the other personnel involved with the delivery of two classroom sessions for both ENAV and Techno Sky. A Mobility Manager was appointed to supervise corporate mobility services in accordance with the provisions of the Interministerial Decree on Sustainable Urban Mobility of 27 March 1998.

Investments

Group investments are intended to ensure that the assets supporting domestic air traffic management services: i) are consistent with the required technical, financial and performance objectives; ii) meet the quality and performance standards established domestically and internationally by industry regulatory authorities; iii) are in line with the development of the technological platform and with the new operational concepts defined and developed for the ATM network at the European level. Most investments are represented by initiatives involving operational technology infrastructure, because it directly affects core business activities in terms of the efficiency, cost-effectiveness and safety of air traffic management services. Investments are planned on the basis of the long-term investment plan (2018-2022), which is updated when necessary to reprogramme projects to take account of operational requirements that have emerged during the year.

In 2018 consolidated capex amounted to €116.9 million (€115.4 million at 31 December 2017), while that reported in the separate financial statements of ENAV S.p.A. came to €120.2 million (€117.8 million at 31 December 2017).

The main investments under way in 2018 included: i) the 4-Flight programme, which is designed to develop the new automation technology platform for Italian area control centres and adopt the Coflight system as a basic component; ii) the construction of the new technical area of the Genoa airport; (iii) the extension of Free-route flight below flight level 305 and the transfer of the Olbia approach segment to the Rome Area Control Centre; and iv) the upgrading of airport meteorological observation systems.

The new objectives of the SESAR project to deal with the current fragmentation of air traffic control services include the implementation of complex programmes on an international scale. Various projects have been launched in this area, with some of the more important ones listed below.

SESAR and research and development activities

The SESAR European research and development project is an initiative launched by the European Commission to provide the Single Sky with the innovative technological elements that enable the creation of a modern, interoperable, efficient air traffic management system that is capable of guaranteeing the development of air traffic on a secure foundation that is environmentally friendly, in line with rising traffic demand.

In 2017 the first phase of the project relating to period 2009-2016 (SESAR 1) was concluded with the last progress accounting report, in which ENAV played an important role leading various pre-operational testing activities, both regarding airports and overflight and/or approach air space, taking part in 98 projects and more than 30 validation exercises.

The second phase of the project, called SESAR 2020 covers a period of six years and breaks down into two activity periods: Wave 1 which covers the first three years (2016-2019) and Wave 2 covering the next three (2019-2021). SESAR Wave 1 is being executed and the implementation of the ENAV projects involves the contribution of a group of national and international partners, so-called Linked Third Parties (LTP), appropriately selected on the basis of dedicated technical-operational agreements and the subsidiary Techno Sky, which took over from the Sicta Consortium in liquidation. The ENAV Group is committed through more than 20 validations to be conducted during Wave 1, 14 of which have already been carried out in 2017 and 2018. The contract award phase of Wave 2 has begun, with the project expected to be launched by the end of 2019.

SESAR Deployment Manager

The Deployment Manager (DM) is a body within the European Commission established to coordinate and synchronize the modernisation of the air traffic management system in Europe. This activity is carried out through the SESAR Deployment Alliance Association Internazionale Sans But Lucratif (SDA AISBL), an international non-profit organisation composed of a number of air navigation providers, airline companies and the SDAG SESAR Related Deployment Airport Operators Grouping, for a total of 19 members, including ENAV.

In accordance with Article 9 of Regulation (EU) 409/2013, the Deployment Manager is responsible for the synchronisation and coordination of the local implementation projects necessary to implement the Deployment Programme and therefore the Pilot Common Project (PCP), as well as the related investments. The Deployment Programme is the reference document for identifying European funding band priorities for the air transport sector.

The SESAR deployment activities, coordinated by the SESAR Deployment Manager and co-financed by the European Commission through the INEA Agency, include the annual updating of a deployment programme, in which ENAV has a leadership role, in conjunction with the other European stakeholders at the international CANSO and A6 Alliance organisation. At the same time, ENAV maintains the alignment of the Corporate Investment Plan and the Deployment Programme to ensure the conformity of the implementation methods and timing planned by the Company with the applicable European regulations.

Note that with regard to the Connecting European Facilities (CEF) Transport call for proposals launched in 2017, the Grant Agreement with the European Commission was formalised in December 2018.

There are now 94 European implementing partners for 49 new projects to modernise Air Traffic Management in 22 states of the European Union, with a total investment of €458 million, of which €228 million co-financed by INEA.

ENAV participated in the CEF Call 2017, presenting 8 projects for which it obtained co-financing of €17.3 million for a total of €34.7 million in planned investment.

Environment

On the issue of the environment, the ENAV Group has set itself the goal of contributing towards reducing the environmental impact of the flight operations of airspace users and lowering the environmental impact of the Group's activities through efficiencies and savings in consumption connected to its core business.

Operational measures

In order to support airspace users in developing operational approaches to reduce flight times, with a consequent reduction in fuel consumption and the related environmental impact, the ENAV Flight Efficiency Plan (FEP) defines and catalogues actions designed to optimise the flight routes that can be planned and to reduce the length of aircraft ground operations.

With regard to the environmental targets, which must be pursued at the European and domestic levels, the contribution of the implementation of the ENAV FEP is of vital importance, to the extent that compliance with the planning and implementation of the coordinated and planned measures is monitored by ENAC under the National Performance Plan.

Since 2012, the FEP has contributed to the implementation of Italy's action plan on CO_2 emissions reduction, a document drawn up within ECAC/ICAO that Italy has undertaken to implement, like the other participating countries, in order to counter climate change by achieving the global targets for reducing the environmental impact of aviation.

The measures implemented in 2018 made it possible to improve the flight planning of the airlines operating from/to domestic airports or that overfly the Italian airspace where ENAV is responsible for providing air traffic services.

The Free Route Italy project (FRI) has been supporting the environment by enabling the use of direct routes between the entry point and the exit point of Italian airspace, liberalising planning of the trajectories in airspace first above 33,500 ft, about 11,000 meters, and from 24 May 2018 above 30,500 ft, about 9,000 meters, thanks to the completion of the last phase of the Free Route Airspace Italy Project (FRAIT), which increased the portion of Italian airspace available for airspace user operations. The Free route project is part of the obligations imposed by the European regulations governing the Single European Sky for all European states starting from 1 January 2022. ENAV was the first of the major European service providers to implement free route airspace.

The analysis of flight efficiency performance for 2018 for the airspace whose flight-path planning involved the FRAIT showed that 43% of traffic was able to benefit from a reduction in the total route distance, from the departure airport to the destination airport (gate-to-gate), of about 11.3 million kilometres (equal to 18.50 Km per aircraft), producing fuel savings of approximately 42.8 million kg and a consequent overall reduction in CO_2 emissions of about 135 million kg. At the same time, using an average market fuel cost of around €0.75 per kg, the financial savings for airspace users can be quantified at around €32 million.

Further benefits were possible for users who, before the lower vertical limit of the FRAIT was reduced, used the direct routing system (DCT) available for altitudes below 33,500 ft.

The savings can be quantified in about 85 tons of fuel, reducing CO_2 emissions by 268 tons.

Work continued on the National Plan for implementing performance-based navigation (PBN) flight procedures, optimising the instrument routes in terms of flight efficiency for the airports of Palermo, Alghero, Ancona Falconara and Lamezia Terme. The associated fuel savings can be quantified at about 424 tons of fuel, reducing CO_2 emissions by 1,336 tons.

Finally, from March 2018 the Airport Collaborative Decision Making system (A-CDM) for the Naples Capodichino airport is fully operational. The airport is now the 5th national airport with this system, together with Rome Fiumicino, Milan Malpensa, Milan Linate and Venice Tessera. Through the optimisation of turn-around procedures, the integration and to the continuous exchange of data between ENAV, the airport manager, airlines and the network manager, the A-CDM helps improve the management of operations, to the benefit of all airport stakeholders involved in handling aircraft ground movements.

Facilities projects

In line with the environmental policies introduced in recent years, ENAV is committed to the reduction of energy consumption and to reducing greenhouse gas emissions through the use of plants for the self-production of energy from renewable sources or from less-polluting sources (methane). This is in line with the guidelines of the Kyoto Protocol and the Paris Climate Conference to achieve and additional reduction of polluting emissions, thereby reducing energy costs and benefiting from the incentives of the Electricity Services Operator (GSE).

Based on the findings of our energy diagnoses, in compliance with Legislative Decree 102/2014, ENAV identified opportunities for improvements in energy efficiency at 11 of the Company’s most energy-intensive sites, later expanding this to a further 19 sites with similar characteristics. These improvements will be implemented with measures in the coming years designed to put electricity consumption on a downward trend.

Photovoltaic installations are currently used, some of which benefit from the incentives provided by the GSE. They are located at the ENAV headquarters, the airports of Bari and Ancona Falconara, the Brindisi Area Control Centre and in the Bitonto radio beacon, while photovoltaic plants are in the process of being activated at the Naples and Genoa airports, while an additional 4 plants are being designed for ENAV sites in southern Italy.

Furthermore, the modernization of the internal and external lighting systems at the Area Control Centres (ACCs) of Rome, Brindisi and Padua and at ENAV headquarters is also planned, transitioning to LED technology integrated with building management systems and building a trigeneration plant at the Rome ACC, which will reduce power drawn from the grid by about 6% from current levels, equivalent to a reduction in CO_2 emissions of 700 tons per year.

International activities

At the international level, ENAV is involved in a series of initiatives to consolidate relations with other Air Navigation Service Providers on both the bilateral level and through alliances and aggregations (such as, for example, the A6 Alliance), as well as with the major international institutions and organisations in the air transport field and, specifically, in air traffic management (ICAO, the European Commission, EASA, CANSO, EUROCONTROL and EUROCAE being among the main such organisations). Accordingly, ENAV is closely involved in the institutional meetings of ICAO, EUROCONTROL, CANSO, the European Commission, EASA and EUROCAE and in the main industrial developments through its direct participation in initiatives such as: SESAR Joint Undertaking, SESAR Deployment Manager, European Satellite Service Provider (ESSP) for EGNOS, bilateral cooperation programmes with the main global providers such as NAV Canada, DSNA (France), NATS (United Kingdom), DFS (Germany), State ATM Corporation (the Russian Federation), or multilateral programmes with other service providers such as those belonging to the A6 Alliance, FAB BLUE MED; multi-stakeholder programmes for the development of technology systems, such as Coflight and 4-Flight, ERATO, Datalink and PENS, or with other industrial players on the airborne side, as well as new satellite technologies such as AIREON.

During 2018 European institutions worked on a revision of a number of key regulations for the aviation sector and for ENAV, including the revision of the so-called EASA basic regulation (European Aviation Safety Agency) with the publication of Regulation (EU) 2018/1139, which extends EASA's tasks to important sectors such as security and drones and revises the respective duties of EASA and the Member States. It is precisely in this context that EASA has taken the initiative with two draft regulations in the area of drones and UTM (UAS Traffic Management). Last year also saw the conclusion, after some three years of work, of the revision of the regulations governing the European Network Manager (Regulation (EU) 677/2011) and on the Performance and Charging Scheme (Regulations 390 and 391 of 2013). The two regulations were approved by the Single Sky Committee in October and December 2018, respectively, and the publication of the new regulations is scheduled for the first few months of 2019. Both regulations govern the third period of the performance plan covering 2020-2024.

Finally, for 2018 the launch of a new initiative by the European Commission (DG MOVE) should be mentioned. This established a Wise Persons Group that brings together some of the key players in European air transport with the aim of making concrete proposals for the future development of the Single European Sky. As part of its work, the Wise Persons Group organised hearings of the main players in the sector. ENAV was also invited and participated on two occasions both as an Air Navigation Services Provider and President of the A6 Alliance.

Commercial operations

In 2018 the ENAV Group generated revenues from the sale of services on the non-regulated market of €13.5 million, a reduction of 5.8% compared with the previous year. The most important activities conducted by the ENAV Group on the non-regulated market involved aeronautical consulting and flight inspection services.

In 2018, 81 technical-commercial offers were presented by the Group with a total value of €20.3 million, which together with the offers presented in the previous year led to the acquisition of 56 new contracts worth a total of €10.6 million. Of the offers presented, 20 with a value of €13 million are still being analysed.

In addition to the foregoing, commercial operations involved a range of activities, including:

- the offer of services and products to national and international organisations;
- participation in international tenders;
- the conclusion of aeronautical consulting and technical service agreements nationally and training and technical service contracts for international customers;
- promotion and commercial communication with international customers through participation in trade fairs and industry events;
- the signing of commercial cooperation agreements with business partners and technical cooperation agreements with potential customers.

Specifically, the activities which had the greatest financial impact in 2018 were the renewal for the Parent Company of the Flight Inspection agreement in Saudi Arabia, for Techno Sky the award of the contract for the modernisation of the equipment of the control tower of the International Airport in Tripoli, Libya, in addition to the existing contract for the construction of the control tower and the technical area of Mitiga International Airport.

To date, the ENAV Group has successfully completed more than 350 projects in 30 countries worldwide, with some of our key markets being Malaysia, the Arabian Peninsula, and North and East Africa.

Other information

Business Plan

On 12 March 2018 the Parent Company's Board of Directors approved the 2018-2022 Business Plan.

In considering safety and capacity to be essential elements of the performance of its core business, the Group's Business Plan was developed around a series of key elements, guidelines and objectives, consistent with the EU regulatory framework associated with the Single European Sky and the macroeconomic conditions characterising the national and international economies.

The actions underlying these strategic elements have resulted in the development of a series of initiatives, as well as the definition of the Commercial Plan, the Human Resources Plan, the Investment Plan and the Financial Plan.

All the corporate units affected have been involved in implementing the Plan, with the development of initiatives in specific projects that will be implemented and monitored during their development.

The Business Plan envisages an major technological and operational evolution that will enable the management of air traffic through the structuring of a new organisational model, improving performance, productivity and competitiveness.

The Group will benefit from organisational simplification and a more agile structure and procedures, at the same time fostering the professional growth of its personnel and enabling the more effective planning of costs and long-term investments. The implementation of the 2018-2022 Business Plan, in line with the regulatory context defined by the Single European Sky, will also have a very positive impact in terms of sustainability, enhancement of human capital and improvement of medium/long-term financial performance, enabling the Parent Company to consolidate its leadership position among other European service providers, driving the technological evolution of air traffic management.

State-ENAV Programme Agreement

During 2018 the Programme Agreement for 2016-2019 was signed by the national reference institutions and by ENAV. Among the important changes, the duration of the agreement, which was originally three years, was brought into line with that for the Community reference period. Furthermore, the Programme Agreement has been designated as the exclusive instrument governing relations between the State and ENAV, thus incorporating the Service Contract into the Agreement. With regard to charges, the Agreement specifically governs Charging Zone 3, while it refers to the EU performance plans for en-route and terminal charges for Charging Zones 1 and 2. Other developments include the extension of the applicability of operational performance (in terms of on-time flight performance) to a predetermined number of airports included in Charging Zone 3, taking account of the rules and methodology set out in the EU regulations for the industry. In addition, the 2016-2019 Programme Agreement includes the transfer of air navigation services from the Italian Air Force to ENAV for former military airports that have now become civilian airports. As the airports of Rome Ciampino, Verona, Brindisi and Treviso have already been transferred to ENAV, Article 3 of the Agreement provides for the transfer of services for the airport of Rimini and the elevation of air navigation services at the airports of Cuneo and Crotone from the AFIS to Tower service. The Agreement also establishes that the airport of Comiso shall be included in the list of airports managed by ENAV and subject to the charging mechanism. The Agreement was signed and registered with the Court of Auditors.

Unmanned Aerial Vehicles Traffic Management

The Parent Company, in its capacity as a provider of air navigation services in Italy on the basis of the State designation as explicitly defined in Article 691 bis of the Navigation Code, conducted joint activities with ENAC for the application of ENAC's regulation on unmanned aerial vehicles (UAVs) and, more specifically, for the development and provision of registration, identification and Unmanned Aerial Vehicles Traffic Management (UTM) services.

ENAC recognised the Parent Company as the body entrusted with the registration and identification of UAVs and, more generally, for services related to the broader category of drones. A specific instrument was is to govern relations between the parties, the Convention, which was signed in 2016. Under the provisions of this agreement, ENAV has launched and managed the registration of drones through the creation of a dedicated website (www.D-flight.it). As set out in the Convention, the provision of UTM services can be conducted by ENAV either directly or through other subsidiaries established for this purpose. ENAV organised a specific tender to identify a business partner with whom to create a NewCo capable of bringing together the expertise and infrastructure necessary for the full development of new UTM services (UAV Traffic Management).

In May 2018 the tender process was completed with the selection of the industrial partner, specifically an industrial team led by Leonardo in partnership with Telespazio and IDS-Ingegneria dei Sistemi. In November, NewCo was set up, initially held entirely by the Parent Company, with the name D-Flight S.p.A..

On 28 February 2019, D-Flight carried out a capital increase of €6.6 million. Following the increase, 60% of the capital was held by the Parent Company and 40% by Leonardo, Telespazio and IDS-Ingegneria dei Sistemi.

ENAV Group certifications

In 2018 ENAV was again audited by ENAC to verify ongoing compliance with the common requirements for the provision of air navigation services set out in Commission Implementing Regulation (EU) No. 1035/2011 of 17 October 2011 as amended and to operate as a training organisation pursuant to Regulation (EU) 2015/340 and the ENAC Regulations *License to provide Aeronautical Flight Information Services* and *Requirements for personnel providing meteorological services for air navigation*.

ENAC conducted audits at both the ENAV local facilities and ENAV headquarters, including:

- 21 audits to check conformity with the common requirements and conditions set out in ENAV's certificate as a provider of Air Navigation Services;
- 7 audits to check ongoing compliance with the requirements for operating as a training organisation*;*

With regard to the certification of ENAV Group corporate management systems, in December 2018 the international certification body DNV GL – Business Assurance positively concluded its audit activities, with:

- the renewal of the conformity certificates in accordance with UNI EN ISO 9001:2015 of the ENAV Group (ENAV and Techno Sky);
- the renewal of the Conformity Certificate in accordance with standard UNI CEI ISO/IEC 27001:2014 for ENAV.

As far as the flight inspection air fleet is concerned, ENAV underwent specific audits to check the Approval Certificate for the continuing airworthiness management company, the Approval Certificate for the maintenance company and the declaration pursuant to Commission Regulation (EU) No. 965/2012 on air operations.

With regard to additional Techno Sky certifications/accreditations, note that:

- with regard to the accreditation of the Techno Sky calibration laboratory, in April and June 2018, the Italian accreditation body “Accredia” renewed the accreditation certificate of the LAT 015 Centre;
- in December 2018 the international certification body DNV GL – Business Assurance carried out audit for the renewal of the F-GAS certification (certification of companies and personnel as regards stationary refrigeration, air conditioning and heat pump equipment containing certain fluorinated greenhouse gases) pursuant to Regulation (EC) No. 303/2008.

General Data Protection Regulation

In 2018, the ENAV Group adopted appropriate technical and organisational measures to guarantee and demonstrate that personal data is processed in compliance with the provisions of Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation or GDPR), which took effect in all EU countries on 25 May 2018.

During the year, in order to comply with the requirements of the legislation, the following actions were taken at the Group level:

- the appointment of a Data Protection Officer (DPO);
- the introduction of the data processing register;
- the definition of a new Group Privacy unit to manage privacy issues and the related regulatory compliance;
- issue procedures, disclosures and review Group policy on data processing;
- update the contractual clauses on the processing of personal data;
- install encryption tools on portable devices to protect the data they contain.

Purchase of treasury shares

The Shareholders' Meeting of 28 April2018 authorised, subject to revocation of the previous authorisation pursuant to the resolution of the Shareholders' Meeting of 28 April 2017, the Board of Directors to purchase and dispose of treasury shares of the Company, in compliance with applicable regulations, for the following purposes: i) to implement the remuneration policies adopted by ENAV and specifically to satisfy the obligations deriving from share option programmes or other grants of shares to employees or members of the Company's administrative bodies and/or of companies directly or indirectly controlled by ENAV. To this end, in implementation of the authorisation conferred by the Shareholders' Meeting of 28 April 2017, the Board of Directors, acting on a proposal of the Remuneration and Appointments Committee, approved the 2017-2019 Performance Share Plan at the end of 2017 and authorised at the end of 2018 the launch of the second cycle of the 2018-2020 Performance Share Plan, thereby authorising the purchase the treasury shares to serve the Plan; ii) to carry out medium/long-term investments on the market, also with a view to acquire lasting equity interests, or to enable the company to seize opportunities to maximize value from market developments.

A maximum of 1,200,000 shares may be purchased and the authorisation is valid for a period of eighteen months from the date of the shareholders' resolution authorising the operation.

On 31 May 2018, the Board of Directors, in implementation of the resolution of the Shareholders' Meeting, granted the Chief Executive Officer, directly or through a person appointed by the CEO, the power to proceed with the purchase of up to 1,200,000 ENAV shares by 15 April 2019.

Beginning on 11 June 2018, treasury shares were acquired in a number of tranches over a period of months, with the last tranche being purchased on 12 October 2018, after which ENAV holds 1,200,000 treasury shares equal to 0.22151% of share capital with a value of €4,973 thousand.

Significant transactions

No transactions that had a significant impact on the performance and financial position of the Group were carried out in 2018.

Atypical and/or unusual transactions

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, we report that during 2018 the Group did not carry out any atypical and/or unusual transactions and that there were no significant non-recurring events or transactions.

In this regard, such transactions are defined as transactions whose materiality, size, type of counterparty, subject matter, methods for determining the transfer price or timing may give rise to doubts about the accuracy and/or completeness of the disclosures in the financial statements, about conflicts of interest, about the preservation of company assets or about the protection of minority shareholders.

Transactions with related parties

Related parties refer to entities directly or indirectly controlled by ENAV, the Ministry for Economy and Finance (MEF, the parent entity), subsidiary and associated entities controlled directly or indirectly by the MEF and the Ministry with oversight responsibility, namely the Ministry of Infrastructure and Transport (MIT). Other related parties are the directors and their immediate family, standing members of the Board of Auditors and their immediate family, key management personnel and their immediate family of the Parent Company and companies directly and/or indirectly controlled by it and the post-employment benefit plan funds for Group employees.

Related-party transactions conducted by the ENAV Group in 2018 essentially involved services that were provided as part of ordinary operations and settled on market terms and conditions, as described in more detail in Note 33 of the consolidated financial statements and Note 30 of the separate financial statements as at 31 December 2018.

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 governing related-party transactions adopted with Consob resolution no. 17221 of 12 March 2010, as amended, ENAV established, with effect from the date of the admission of the company's shares to trading on the Mercato Telematico Azionario organised and operated by Borsa Italiana, a procedure governing related-party transactions approved by the Board of Directors on 21 June 2016. This procedure was updated and amended as approved by the Board of Directors, having obtained the favourable opinion of the Control, Risks and Related-Parties Committee, on 12 December 2018. The procedure is available on the ENAV website www.enav.it in the Governance section in the company documents area.

In 2018 no transactions of greater importance as identified in Annex 1 of the related-party transaction procedure. In May 2018 the tender procedure for the selection of the industrial partner who will support the Parent Company in the development of a platform for the provision of Unmanned Aerial Vehicles Traffic Management (UTM) services, i.e. the management of drones, was completed. The partner selected is an industrial team led by Leonardo SpA in partnership with Telespazio and IDS-Ingegneria dei Sistemi. In November, the company D-Flight was set up to manage these services. Initially wholly owned by the Parent Company, in February 2019, the industrial partner acquired 40% of D-Flight, with the Parent Company retaining a majority stake with 60% of the capital. Nor were there any transactions subject to disclosure obligations because they qualify as cases exempt under the procedure or transactions that had a significant impact on the consolidated financial position or the consolidated results for the year.

Markets Regulation

With regard to the regulations governing the conditions for the listing of shares of parent companies that control companies incorporated under and regulated by the law of countries other than EU Member States and of significance for the purpose of the consolidated financial statements, as provided for by Article 15 of the Consob Markets Regulation (adopted with Consob Resolution no. 16191/2007 as amended most recently with Resolution no. 20249 of 28 December 2017), note that as at 31 December 2018, the ENAV subsidiary affected by the provisions is ENAV North Atlantic LLC and adequate procedures were adopted to ensure compliance with the Markets Regulation. The statement of financial position and the income statement of the 2018 financial statements of ENAV North Atlantic LLC included in the reporting package used for the purpose of preparing the consolidated financial statements of the ENAV Group will be made available to the public pursuant to the provisions of Article 15, paragraph 1, letter a) of the Markets Regulation.

Information on the main ENAV companies

This section provides information on the financial position, performance and operations of the main Group companies, prepared in accordance with the IFRS and approved by the board of directors of the respective companies.

Techno Sky

			Change	
(thousands of euros)	**2018**	**2017**	**Amount**	**%**
Revenues	99,443	91,800	7,643	8.3%
EBITDA	16,180	9,679	6,501	67.2%
EBIT	15,592	9,122	6,470	70.9%
Net profit/(loss) for the year	10,769	6,288	4,481	71.3%
Net capital employed	29,348	19,408	9,940	51.2%
Shareholders' equity	31,416	20,463	10,953	53.5%
Net financial position	2,068	1,055	1,013	96.0%
Headcount at end of year	792	815	(23)	-2.8%

Techno Sky closed 2018 with a net profit of €10.8 million, an increase of €4.5 million compared with the previous year, thanks to an increase of 8.3% in revenues, which offset the 1.4% increase in costs. EBITDA amounted to €16.2 million euros, an increase of €67.2% compared with the previous year, while EBIT, although affected by the writedown of receivables during the year, came to €15.6 million, up €6.5 million on 2017. In 2018, Techno Sky also maintained a good level of technical performance linked to the global maintenance contract for the operating facilities of the Parent Company, both with regards to the management and maintenance of the hardware of the ATC technology infrastructure and the corrective, adaptive and evolutionary maintenance of software.

ENAV Asia Pacific Sdn Bhd

(thousands of euros)	2018	2017	Change Amount	Change %
Revenues	2,638	2,551	87	3.4%
EBITDA	1,477	1,305	172	13.2%
EBIT	1,464	1,294	170	13.1%
Net profit/(loss) for the year	1,109	967	142	14.7%

ENAV Asia Pacific, a company incorporated under the laws of Malaysia, closed 2018 with a net profit of €1.1 million, an increase of 14.7% compared with the previous year. Revenues increased by 3.4% due to the activities performed under the new contract for the upgrade of CNS-ATM systems in the Kota Kinabalu Flight Information Region. External costs declined, which combined with the increase in revenues produced EBITDA of €1.5 million euros, an increase with 13.2% compared to the previous year. The company is managed by a Chief Executive Officer, appointed by the Board of Directors and designated by the Parent Company.

ENAV North Atlantic

ENAV North Atlantic, a company incorporated under the laws of the US state of Delaware, is a vehicle that holds the stake in Aireon LLC, a US company also owned by service providers from Canada (Nav Canada), Ireland (IAA), Denmark (Naviair), and the United Kingdom (Nats) and the technological partner IRIDIUM, in the total amount of €60.1 million, corresponding to $68.9 million, with a 9.1% interest that will rise to 11.1% following execution of the redemption clause. Aireon LLC seeks to create the first global satellite surveillance system for air traffic control, in order to improve air traffic, optimise routes and achieve ever higher standards of flight safety and efficiency. In January 2019, Aireon announced the eighth and final launch of the satellites that make up the Iridium Next constellation. With the installation of a device on board of each of the 66 operational satellites (out of a total of 75), the system will provide aeronautical surveillance around the entire globe, compared with today’s coverage of about 30% of the earth’s surface.

The 2018 financial year closed with a net profit of €32 thousand, generated by interest on the financing granted during the year by ENAV North Atlantic to Aireon as a senior bridging loan, with full repayment when Aireon receives financing from Deutsche Bank. The transaction concluded at the end of 2018, with Aireon obtaining its financing and repaying the loan from shareholders.

Reconciliation of the shareholders' equity and net profit of ENAV S.p.A. with the corresponding consolidated figures

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, the following table contains a reconciliation of Group net profit and shareholders' equity with the corresponding figures for the Parent Company.

	31.12.2018		31.12.2017	
(thousands of euros)	**Net profit**	**Shareholders' equity**	**Net profit**	**Shareholders' equity**
Parent Company	102,935	1,139,897	94,505	1,141,670
Consolidation differences	0	(29,721)	0	(29,721)
Elimination of intercompany income effects net of tax effect	(384)	(9,253)	(228)	(15,146)
Translation reserve	0	5,902	0	3,422
Reserve from fair value measurement of investments, employee benefits and FTA	0	4,759	0	(695)
Other effects	16	(5)	(16)	0
Net profit of subsidiaries	11,823	32,257	7,237	20,434
Group total	**114,390**	**1,143,836**	**101,498**	**1,119,964**

Risk management

In consideration of its activity and the highly regulated context in which it operates, the ENAV Group is essentially exposed to risks of a regulatory and technical-operational nature. However, in view of the increasingly global and competitive environment of the ATM system and the expectations of the financial community and stakeholders, it is also increasingly important to anticipate, analyse and manage the emerging risks, which could affect our standing and reputation.

Naturally, by virtue of the strong integration and correlation of risks, the risks associated with enabling factors, such as technological and infrastructure development, and human and organisational capital, are also of primary importance.

These aspects, like all types of risk, undergo careful analysis by the ENAV Group, which has identified the main risks associated with its activities and has prepared dedicated safeguards, instruments and organisational measures with the objective of mitigating them, minimising or lessening any impacts within acceptable limits.

For more information on financial risks, please consult the notes to the consolidated financial statements.

Risks associated with air navigation services

In the provision of air navigation services, ENAV is subject to requirements to ensure s*afety* and *security.* The international, European and national standards governing safety and security require the Company to establish standards and objectives to mitigate the risk associated with breaches of security and to take measures to restore safety levels.

In view of the foregoing and taking account of the fact that impacts that can be generated by the occurrence of risk events associated with the provision of air navigation services also affect the image and the reputation of the ENAV Group, all the necessary actions for achieving and maintaining the intrinsic level of risk inherent in the nature of the services we provide, in other words the level of risk that cannot be mitigated further through preventive actions, must be considered as a priority.

In this context, ensuring effective safety management to prevent and/or contain the risks associated with the provision of our core business within acceptable limits is - in addition to being the heart of ENAV's mission - vital for maintaining the necessary certification to provide air navigation services and operate as a training organisation. Accordingly the risk of misalignment between the expected goal and the actual performance achieved must be managed.

In view of the severity of the safety risk, the Company, using a dedicated safety unit and a Safety post holder, within the framework of the safety management system which is an integral part or the certification process for service providers in accordance with the common requirements set by Regulation (EU) 1035/2011, draws up its operational safety policies and prepares a three-year safety plan setting out the activities that the Company intends to implement in order to maintain compliance and achieve the safety targets set at the national and EU levels.

The Company is also exposed to specific security risks in connection a variety of factors: the significant scale of its technology systems; the relative interdependence of the effects of violations by the employees of contractors, sub-contractors or consultants; the nature and location of physical infrastructure throughout Italy; the size and variety of personnel; and the threats facing the industry in which the Company operates.

On account of the severity of the security risk, which requires the management of the risks connected with people, infrastructure, data and technology systems, the Company has long established consolidated control and management tools, with a dedicated unit headed by a Security post holder. Risk is monitored through periodic security risk assessments and security risk treatment activities are constantly monitored within the framework of the security management system, which is an integral part of the certification process for service providers in accordance with the common requirements set by Regulation (EU) 1035/2011. In addition, the Security Operation Centre has been reinforced with regard to both physical security and information security. A management model was also created for the threat indicators distributed by the public authorities and essential service providers, which heightens the central role of the Company within the national cybersecurity strategy, while the ENAV Group's prevention, deterrence and response strategy also addresses the protection of critical infrastructure.

The dual nature of security for air navigation service providers also implies the supervision of processes related to civil aviation security risks, in which ENAV ensures compliance and full implementation of aviation security requirements.
The monitoring of risk levels associated with the provision of air navigation services and verification of its consistency with security targets and tolerated levels is implemented with the use of specific indicators such as, for example: i) critical safety issues connected with runway incursions and separation minima infringements between aircraft; ii) the level of effectiveness of safety management and the continuity of air navigation services; iii) the level of functional availability of air navigation service support systems; iv) the operational performance of Air Traffic Management/CNS systems, intervention, breakdown resolution and service restoration times; v) the performance of the security incident management response in terms of compliance with intervention times/ticket management, number of physical and information security incidents, the number of significant interruptions in critical services (e.g. power, phone/data connectivity); vi) how long it takes to manage non-conformities within the scope of certification as a provider of air navigation services and operator of a training organisation, with a potential impact on the maintenance of certification and the associated responsibilities.

Risks associated with technological and infrastructure development

The ENAV Group has a widely distributed and technologically complex infrastructure that is constantly evolving in order to pursue its mission and provide air navigation services guaranteeing the expected levels of performance and safety required at the regulatory level. Efficient technological and infrastructure development is therefore a critical factor in guaranteeing excellent performance and achieving the objectives defined in the business plan and corporate planning.
In recent years the investment process, while ensuring technical and financial quality, has also been progressively optimised in terms of inter-functional integration, with clear benefits in overall efficiency. In addition, risk control has been further strengthened thanks to the preparation of more efficient support processes and the implementation, in the corporate information system, of more advanced IT tools to monitor the activities in the tender phase, in conjunction with the planning and execution phases of the investment life cycle.
With regard to the rationalisation of the scope of operations, an essential step to lend the necessary effectiveness and efficiency to air traffic management in the future, the Company believes that an investment process that is increasingly flexible and responsive to external and contextual constraints is an important lever for mitigating the risks associated with investment objectives and the overall technical consistency of the various initiatives.

Risks associated with the development of the business

The development of new business sectors and the growth of the non-regulated segment represents an opportunity for the ENAV Group. Achieving the growth targets set out in the Business Plan can be affected by exogenous factors over which the Group does not have control, such as the growth of the market and demand for these services or other endogenous factors.

In order to strengthen control of these risks, a Group Risk Policy has been issued for brokerage contracts with the aim of setting out guidelines for identifying and assessing the risks, essentially corruption, to which the Group may be exposed as part of its commercial development activities in the process of selecting intermediaries and brokers, and negotiating and executing contracts with the intermediaries themselves. In particular, the ENAV Group intends to use the Policy to:

- ensure compliance with legislation on the fight against corruption and any other applicable legislation, as well as the Code of Ethics and the Compliance Model pursuant to Legislative Decree 231/2001, which the Company and the Group companies have established, and compliance with standards of diligence, transparency and propriety;
- ensure that the Group enters into such contracts only with intermediaries that enjoy an excellent reputation and adopt high ethical standards in the performance of their commercial practices, that share the ethical values of the Group and that guarantee to act in accordance with anti-corruption laws and with national and international best practices.

Country risk

The management of country risk in the context of managing foreign contracts is a corporate process for which the Group has set up various control arrangements (organisational, internal rules and operational) aimed at preventing security incidents for personnel operating in countries at risk. As an organisational measure, the travel security service is activated before departure (assessment and monitoring of travel security risk for countries at risk), while at the rules level, ENAV has defined a Travel Security Policy, integrated within the Security Policy, and a number of procedures in the corporate management systems (SGQ, SGSSL, SECMS). Finally, operational measures include specific training activities for personnel assigned to international missions, coordination with the Prime Minister’s Office as well as taking out insurance coverage and providing on-site security services through the embassy. In any case, back-office activities can be carried out without having a direct physical presence in countries at risk.

Risks associated with traffic and cost governance

This is defined as the risk associated with possible changes in the parameters that determine regulated revenues and divergences in those revenues from forecasts, especially in the process of setting charges.

In the current reference period (the second reference period), which terminates at the end of 2019, ENAV has activated a series of control measures that mitigate the possible impact on operations of the Community performance scheme, provided for in the regulatory framework of the Single European Sky.

In particular, the ongoing monitoring of actual performance has made it possible to understand fluctuations in demand, enabling rapid intervention to activate mitigation actions based, for example, on the planning of activities in the Business Plan and/or on cost efficiency measures.

As envisaged under the performance scheme, traffic risk in particular is mitigated by a system for stabilising revenues (traffic risk sharing). In fact, the system provides for risk sharing with airspace users (airlines), through the possibility of significantly limiting losses due to decreases of more than 2% in demand.

In accordance with the current performance scheme, the Parent Company is also required to provide a service that complies with the capacity targets set in the Performance Plan, applying an incentive system to promote high levels of operating performance. The scheme envisages a symmetrical “bonus/malus” incentive system, through which the air navigation service provider is granted higher income or a penalty (through the balance mechanism) calculated on the basis of the ratio between the targets assigned in the Performance Plan and the result actually achieved for each year. The incentive scheme for Italy in the second reference period (2015-2019) is similar to that applied in the first reference period (2012-2014). One of the differences between the first and second reference periods is the transition from a national approach to the FAB Blue Med (Functional Airspace Block) level for some performance areas. In particular, although the target is measured at the FAB level for the second reference period, the incentive system is implemented locally by decision of the national authorities, an approach justified by the difficulty of identifying an incentive system directly applicable to the FAB Blue Med and agreed between the four Member States involved in that block. In this regard, it should be noted that the other Member States of FAB Blue Med did not provide for the application of an incentive system. This national approach to the capacity incentive system was communicated to the European Commission during the preparation of the Performance Plan for the second reference period and confirmed in the Performance Plan itself.

The Company constantly monitors national performance and, with the competent authorities, performs all the activities aimed at enhancing the significant contribution made by the Parent Company to capacity in Italy and the FAB.

The Italian incentive system has been presented on several occasions to the European Commission, which has in fact recognised and incorporated it in the new Commission Implement Regulation (EU) 2019/317 on the performance and charging scheme, which will govern the third reference period (2020-2024). Reflecting the complexities faced by Italy within the FAB Blue Med in managing the performance plan for the second reference period, the new regulation has removed the obligation to present a performance plan at the FAB level, leaving the Member States the option of pursuing a national or FAB approach.

Risks associated with human and organisational capital

This is the risk that the human capital of the ENAV Group, in other words the collection of technical skills, know-how and abilities which give rise to the human capacity for creating value for the Group, may be inadequate to handle the operating model and developments in strategic business requirements.

Together with the technological infrastructure, human and organisational capital represents one of keys enabling the ENAV Group to maintain the level of excellence, measured in terms of safety, operating capacity, economic efficiency and environmental impact, in the provision of regulated and non-regulated services. It is a strategic asset in consolidating the Group's position among the world's best performers.

The continuous improvement of technical skills, know-how and abilities is a requirement imposed by laws and regulations at an operational level, compliance with which is periodically assessed by external regulators. However, it is also an opportunity that can be exploited in planning the overall growth of the Group, including its expansion in non-regulated activities and coping with future technological and business challenges.

Within the Group, the safeguards against these risks monitor the preparation and supervision of the main human resource development programmes and activities supporting decisions concerning personnel management and short- and long-term variable remuneration systems. These arrangements are intended to ensure the dissemination of the principles of continuous improvement to all of the Group's human capital, guaranteeing expertise and continuity in the key roles of the organisation.

The year 2018 experienced progressive development of risk treatment actions due in particular to an important reorganisation in the sphere of the management of human capital and change, with the creation of a dedicated Human Capital and Change Management unit in the second part of the year.

The priority actions implemented included the definition and consolidation of the methodologies supporting the management of succession tables and the management review process for key positions in the organisation and the consequent creation of the succession plan beginning with key management personnel. The process of periodic skill gap analysis and the definition of middle management development strategies was also formalised, with the introduction of assessments, training for new hires and coaching initiatives for high-potential staff.

In terms of core competencies, training plans continued to be updated and non-technical skills were integrated into the unit competence scheme with initiatives aimed at further developing knowledge of human factors and instructors' capacity to evaluate these factors within the training process.

Risks associated with governance and compliance issues

The current national and international regulatory landscape offers a particularly complex picture accompanied by a constant and rapid increase in regulation, requiring investments in resources and processes in order to monitor relevant issues. This context envisages a series of obligations and requirements for the directors and executives of companies, including those deriving from Legislative Decree 231/01 on corporate administrative liability, Legislative Decree 81/08 on workplace health and safety, Law 262/05 on the protection of savings and the regulation of financial markets, Legislative Decree 152/06 on the definition of the system of powers of attorney and the delegation of functions in environmental matters, Regulation (EU) 2016/679 on data protection, Legislative Decree 254/16 on the disclosure of non-financial information, the regulations governing market abuse introduced with Legislative Decree 107/18 amending the Consolidated Law (Legislative Decree 58/98), Legislative Decree 50/16 on public contracts for works, supplies and services, with regard to the adoption and implementation of an anti-bribery management system.

ENAV constantly monitors developments in the regulatory framework in order to ensure timely and effective compliance with the legislative and regulatory framework, adopting best practices in this field and adjusting responsibilities, processes and organisational, governance and control systems as necessary.

The Group maintains a collaborative dialogue with national and European institutions and with the governing and regulatory bodies of the sector.

As specifically regards the risks addressed by **Legislative Decree 231/2001** and to ensure that the Compliance Model is updated on an ongoing basis, in 2018 work began on a risk assessment and a consequent gap analysis of the 231/01 Compliance Models adopted by ENAV and the subsidiary Techno Sky with regard to offenses currently considered by the Model, the recent regulatory changes introduced in Legislative Decree 231/01 and other related regulations (e.g. Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data - GDPR) and to changes in the Group's macro-structure. This activity was conducted in preparation for the assessment of the need for any updates to the Models.

In 2018, the training/information programme launched in 2017 on the subject of Legislative Decree 231/01 was also completed. Aimed at Group staff, it was carried out both in the classroom and on-line, with the support of informational materials.

The Supervisory Body, established pursuant to Legislative Decree 231/2001, examined the information flows it received in 2018 as well as the results of the audits and the monitoring performed by Internal Audit in light of the application of Legislative Decree 231/01.

The Body held the scheduled meetings with the Control, Risks and Related Parties Committee and the Board of Auditors for the exchange of information on the internal control and risk management system. The various reports received from the employees of the Company concerning 231 issues were managed, some of which prompted further analysis, although in all cases the Group's 231 Compliance Model was found to have performed adequately.

In the area of **fraud and corruption risk**, the Group works to raise staff awareness of the principles aimed at preventing fraud and corruption, with a view to safeguarding the reputation and image of the Group and assuring stakeholders that ENAV devotes maximum attention and commitment to the application of the Group Code of Ethics and the Code of Conduct for the fight against corruption adopted by the Group. The latter is part of a comprehensive set of internal rules consisting of policies, procedures, guidelines and regulations that govern the individual segments of this category in more detail and with which internal staff must comply. An anti-corruption training programme launched in 2017 was completed in 2018. It was delivered through classroom sessions, online courses and informational materials for the employees of ENAV and its subsidiaries. It continued throughout 2018 with training delivered through online courses for all Group personnel and with informational materials and classroom sessions for Group executives.

At the Group level, responsibility for preventing corruption and fraud was assigned in 2016 by the Chief Executive Officer to the Internal Audit department, which has set up a specific Whistleblowing and Fraud Audit unit.

To identify potential vulnerabilities and provide for their removal, the Group has set up a whistleblowing computer system, in line with market best practice, and adopted Whistleblowing Rules, published on the company website.

During 2018 two whistleblowing reports were received, from which no evidence of fraud or corruption emerged. The Anti-Corruption Code valid for the entire Group was also adopted in 2018.

The ENAV Group is strongly committed to mitigating **workplace health and safety risks** through an organisation that covers the entire territory. In compliance with Article 30 of Legislative Decree 81/08, the ENAV Group uses specific management systems that ensure risk control and the improvement of workplace health and safety performance, both in terms of compliance with applicable legislation and compliance with best practice for the organisation and management of the underlying processes, with ENAV and Techno Sky also receiving OHSAS 18001 certification from an accredited certification body. The creation of a specific process to ensure the safety of the Group's workers on foreign missions (generically known as "travel security", but the concept covers both security activities in the strict sense and the prevention of workplace health and safety risk).

On the **environmental protection** front, specific activities were undertaken to define and standardize company processes, in compliance with Legislative Decree 152/06 and other legislation on environmental protection, implemented through the progressive adaptation of internal rules, with the objective of ensuring compliance with applicable regulations and the adoption of best practice in this area.

The **protection of personal data and privacy** was revolutionised with the entry into force of Regulation (EU) 2016/679, or the General Data Protection Regulation (GDPR). It took full effect on 25 May 2018 and is directly applicable in the Member States. On the same date, Directive 95/46/EC was repealed. It had governed the processing of data at the Community level, while the Privacy Code (Legislative Decree

196/2003) remains in force in Italy, although it was amended to ensure compliance with the GDPR by the Legislative Decree 101/18.

The Group promptly formed an internal working group charged with undertaking all corporate initiatives necessary to ensure compliance with the GDPR. After conducting an assessment, the working group adopted the necessary compliance measures including, in particular, the introduction of the list of processing operations, the definition of data breach rules and rules governing the exercise of data subjects' rights, the appointment of the Data Protection Officer (DPO) and the encryption of systems relevant to data protection. On 1 April 2018, the Group DPO was appointed, in the person of the Internal Audit Officer, whose duties include monitoring compliance with the Regulation, collecting information to identify processing operation, analysing and verifying compliance of processing operations, informing, advising and making recommendations to the Controller, providing, if requested by the Controller, an opinion on the data protection impact assessment ("DPIA") and monitoring progress.

In 2018, ENAV implemented an online training course for all company personnel. Specifically, the DPO has taken steps to bring GDPR issues to the attention of management through classroom information sessions, which will be carried out in the first quarter of 2019. The DPO also periodically reports to the Data Controller on the activities undertaken to ensure compliance with the GDPR and on the main initiatives carried out to comply with its provisions. The report on the GDPR activities is also conveyed to the Board of Directors in the Internal Audit Officer's semi-annual report.

With regard to **non-financial information reporting**, the Company published its first Consolidated Non-Financial Information Statement for 2017, in accordance with Legislative Decree 254 of 30 December 2016. The preparation of the 2018 Non-Financial Information Statement consolidated the arrangements installed for the 2017 Non-Financial Information Statement, including: 1) the establishment of quality management system procedures and the formalization of the responsibilities of contact persons and data owners and the reporting flows to the unit responsible for this activity; 2) materiality analysis, conducted through meetings with all managers and top management and with questionnaires sent to all stakeholders, as well as dedicated meetings with the most representative (chosen from among airlines, shareholders, airport management companies, institutions, suppliers and personnel) with the aim of characterising the most significant sustainable issues for the Group and the resulting materiality matrix; 3) the creation of the Sustainability Committee; 4) the complete integration of non-financial risks with the Enterprise Risk Management system; 5) actions and projects to increase the efficiency of managing sensitive sustainability issues (including the Strategic Sustainability Plan 2018-2020, the creation of the group of sustainability ambassadors, and the development of the first sustainability day to enhance the entire company's awareness of sustainability issues), to further develop of the reporting system based on the Global Reporting Initiative standard, with the transition from GRI reference to the more complete GRI core); and

6) the development of an IT system on the Hyperion platform for the integrated management of quantitative data.

Risks associated with image and reputation

Corporate image and reputation are factors of success for organisations which, in the conduct of their business, have to interact with customers, institutions, authorities, shareholders and other stakeholders. The issues in this area take on greater importance for companies listed on regulated markets because the community of investors is highly sensitive to events and developments capable of jeopardising that image and reputation. Many events can affect corporate image and reputation in complex organisations. Considering the particular nature of ENAV, the variety and differing scope of such developments can have a direct connection with the duty of care associated with the protection of the primary values of the regulatory framework and the interests of investors and other stakeholders.

In view of the disclosure obligations incumbent upon the Group, ENAV takes great care in addressing the sources of risk that could cause harm to its corporate image and reputation and constantly monitors image-relevant content in the press, on the radio, television, the Internet and social media.

ENAV's risk management approach in this area is founded on prevention and on compliance with the rules, as well as on the adoption of practices and processes designed to minimise damage to its image and reputation. In general, following the listing of the Company, risk management was reinforced through several important channels: i) compliance with regulations governing financial disclosure (press releases, rules of engagement, equal access to information, the use of regulated information services); ii) intensification of contacts with the specialist press (economic/financial); iii) subscriptions to specific press agencies (Reuters, Market Insight); iv) the adoption of an ad hoc procedure for the publication and control of the contents of the corporate website (www.enav.it).

As far as crisis communication is concerned, the structure in charge of external communication has ensured active monitoring of the most critical events (strikes, technical failures, etc.), refining processes in order to rapidly and proactively manage communication in the event of a crisis.

Significant events after 31 December 2018

On 28 February 2019, a capital increase was carried out for D-Flight S.p.A., a company created by ENAV to develop the U-space platform for the provision of Unmanned Aerial Vehicles Traffic Management (UTM) services, i.e. the management of so-called "drones". The Parent Company has teamed up with Leonardo in partnership with Telespazio and IDS-Ingegneria dei Sistemi on the venture. Following the capital increase of €6.6 million, 60% of the capital of D-Flight is held by ENAV and 40% by Leonardo, Telespazio and IDS-Ingegneria dei Sistemi through the specifically formed company UTM Systems & Services Srl.

On 4 March 2019 the Parent Company signed an agreement for the acquisition of 100% of the Air Navigation division of IDS-Ingegneria dei Sistemi S.p.A. The division is responsible for developing software solutions in the areas of aeronautical information management and air traffic management. The Air Navigation division is headquartered in Italy and has other offices, mainly in Canada and Australia. Based on preliminary estimates for 2018, IDS's Air Navigation division had revenues of €24 million, with an expected EBITDA margin in line with that of the ENAV Group.

The agreement provides that 100% of the division should have a valuation, currently prior to the due diligence process, of 7.0x of 2018 EBITDA, and that the proposed acquisition will be financed by ENAV with available cash.

The terms of the agreement and the closing of the transaction, expected by the end of the summer of 2019, are subject to the successful outcome of the due diligence process, as well as to certain conditions and the issue of authorisations specified in the agreement, which will be envisaged or specified in the subsequent preliminary contract.

Outlook for operations

Based on the recent forecasts of national and international statistical institutions, the scenario in which the Parent Company will operate next year will still be characterised by a growing trend in air traffic, with volumes of service units and flights that, if confirmed, will be the largest ever registered by the Company. In this environment, ENAV will be committed to maintaining the high level of operating performance recorded in 2018 and, at the same time, to achieving the efficiency goals set out in the 2015-2019 Performance Plan and the Business Plan.

As provided for by EU regulations, the current 2015-2019 regulatory period will end in 2019. Accordingly, in 2018 the EU organisations responsible for this sector began to formulate initial proposals and recommendations for the next reference period (2020-2024), both as regards the new regulatory framework and the levels of efficiency and operational capacity. With regard to the regulatory framework, after careful analysis and evaluation by service providers and the Contracting States of the various proposals advanced by the Commission, in January 2019 the new EU regulation on charges and performance was approved. With regard to efficiency and capacity targets, the Commission has issued an initial proposal that will be voted on by the Contracting States in the first half of 2019. After approval, each Contracting State together with the reference service provider will have to prepare the new Performance Plan setting its own operational and financial objectives, as well as the main aspects concerning charges. Accordingly, once the Commission issues its decision on the targets, the Parent Company will proceed with the development of the Performance Plan and, consequently, the Business Plan.

Proposals to the ENAV S.p.A. Shareholders’ Meeting

Dear Shareholders,

The financial statements at 31 December 2018, which are being submitted for the approval of the Shareholders’ Meeting, show a profit for the year of €102,934,760.74.

You are invited to:

- approve the financial statements at 31 December 2018 showing a profit for the year of €102,934,760.74;
- allocate 5% of the profit for the year, equal to €5,146,738.04, to the legal reserve as provided for pursuant to Article 2430, paragraph 1 of the Italian Civil Code and in the amount of €97,784,861.49 to dividends to be distributed to the Shareholders and €3,161.21 to retained earnings;
- to utilise €10,455,666.63 from the “retained earnings” available reserve in order to distribute, together with the profit for the year allocated as dividend, a total dividend amounting to €108,240,528.12, corresponding to a dividend of €0.1998 per share issued as at the ex-dividend date. Payment of the dividend of €0.1998 per share will occur on 22 May 2019, with the ex-dividend date set for 20 May 2019 and the record date set for 21 May 2019.

The Chief Executive Officer

Roberta Neri

ENAV GROUP CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2018

ENAV Group Consolidated Financial Statements at 31 December 2018

ENAV GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

ASSETS

(euros)	Notes	31.12.2018	of which related parties (Note 33)	31.12.2017	of which related parties (Note 33)
Non-current assets					
Property, plant and equipment	**7**	1,000,063,255	0	1,027,515,875	0
Intangible assets	**8**	122,368,136	0	124,413,813	0
Investments in other entities	**9**	60,306,404	0	51,216,852	0
Non-current financial assets	**10**	37,160,916	0	13,001,295	0
Deferred tax assets	**11**	15,793,097	0	24,785,005	0
Non-current tax receivables	**12**	24,858,353	0	24,858,353	0
Non-current trade receivables	**13**	18,447,628	0	88,173,706	0
Other non-current assets	**15**	22,109,549	22,109,549	0	0
Total non-current assets		**1,301,107,338**		**1,353,964,899**	
Current assets					
Inventories	**14**	61,000,915	0	60,986,028	0
Current trade receivables	**13**	268,075,849	43,689,022	285,810,027	44,507,875
Current financial assets	**10**	9,006,701	0	325,067	0
Tax receivables	**12**	27,099,269	0	26,178,368	0
Other current assets	**15**	61,617,542	35,149,610	11,668,739	3,396,861
Cash and cash equivalents	**16**	316,310,894	557,623	263,325,431	557,623
Total current assets		**743,111,170**		**648,293,660**	
Assets classified as held for disposal	**17**	1,463,881		1,195,674	
Total assets		**2,045,682,389**		**2,003,454,233**	

Consolidated statement of financial position

SHAREHOLDERS' EQUITY AND LIABILITIES

(euros)	Notes	31.12.2018	of which related parties (Note 33)	31.12.2017	of which related parties (Note 33)
Shareholders' equity					
Share capital	**18**	541,744,385	0	541,744,385	0
Reserves	**18**	462,563,374	0	453,311,632	0
Retained earnings/(loss carryforward)	**18**	18,860,841	0	23,411,079	0
Profit/(loss) for the year	**18**	114,390,115	0	101,497,826	0
Total Group shareholders' equity	**18**	**1,137,558,715**	**0**	**1,119,964,922**	**0**
Non-controlling interests and reserves		0	0	0	0
Profit/(loss) pertaining to non-controlling interests		0	0	0	0
Total shareholders' equity pertaining to non-controlling interests		**0**	**0**	**0**	**0**
Total shareholders' equity	**18**	**1,137,558,715**		**1,119,964,922**	
Non-current liabilities					
Provisions for risks and charges	**19**	1,715,000	0	7,270,672	0
Severance pay and other employee benefits	**20**	52,279,812	0	55,635,827	0
Deferred tax liabilities	**11**	4,073,569	0	3,504,717	0
Non-current financial liabilities	**21**	337,252,863	0	350,670,193	0
Non-current trade payables	**22**	34,841,889	0	23,647,605	0
Other non-current liabilities	**23**	172,486,366	0	106,252,719	0
Total non-current liabilities		**602,649,499**		**546,981,733**	
Current liabilities					
Short-term portion of provisions for risks and charges	**19**	991,946	0	2,208,600	0
Current trade payables	**22**	126,121,713	15,676,302	130,854,158	20,693,540
Tax and social security payables	**24**	32,105,317	0	39,380,997	0
Current financial liabilities	**21**	14,923,767	0	30,461,827	1,663,703
Other current liabilities	**23**	131,326,186	65,100,234	133,101,668	59,882,227
Total current liabilities		**305,468,929**		**336,007,250**	
Liabilities directly associated with assets held for disposal	**17**	5,246		500,328	
Total liabilities		**908,123,674**		**883,489,311**	
Total shareholders' equity and liabilities		**2,045,682,389**		**2,003,454,233**	

Consolidated income statement

(euros)	Notes	2018	of which related parties (Note 33)	2017	of which related parties (Note 33)
Revenues					
Revenues from operations	25	924,584,708	13,216,213	863,160,709	14,079,102
Balance	25	(80,687,268)	0	(17,223,255)	0
Total revenues from contracts with customers	25	*843,897,440*		*845,937,454*	
Other operating income	26	54,939,844	35,603,567	45,616,906	37,490,414
Total revenues		**898,837,284**		**891,554,360**	
Costs					
Costs for raw materials, supplies, consumables and goods	27	(9,765,441)	(518,231)	(7,779,430)	(316,413)
Costs for services	27	(123,780,161)	(4,128,109)	(130,535,421)	(3,974,548)
Personnel costs	28	(480,216,063)	0	(478,421,493)	0
Costs for leases and rentals	27	(4,868,122)	(67,952)	(5,632,167)	(89,382)
Other operating expenses	27	(4,829,873)	0	(4,993,854)	0
Capitalisation of costs	29	31,101,091	0	29,133,043	0
Total costs		**(592,358,569)**		**(598,229,322)**	
Depreciation and amortisation	7 and 8	(137,829,368)	0	(140,060,746)	0
Writedowns/(writebacks) for impairment of receivables	13	(6,705,352)	0	(7,284,748)	0
Writedowns/(writebacks) for impairment of property, plant and equipment and intangible assets	7	(819,475)	0	0	0
Provisions	19	3,266,378	0	701,733	0
Operating income		**164,390,898**		**146,681,277**	
Financial income and expense					
Financial income	30	3,969,783	0	3,971,289	0
Financial expense	30	(7,349,877)	0	(6,458,220)	(70,931)
Exchange rate gains/(losses)	30	187,961	0	(441,705)	0
Total financial income and expense		**(3,192,133)**		**(2,928,636)**	
Income before taxes		**161,198,765**		**143,752,641**	
Income taxes	31	(46,808,650)		(42,254,815)	
Profit (loss) for the year		**114,390,115**		**101,497,826**	
Pertaining to Parent Company		*114,390,115*		*101,497,826*	
Pertaining to non-controlling interests		*0*		*0*	
Basic earnings/(loss) per share	38	0.21		0.19	
Diluted earnings/(loss) per share	38	0.21		0.19	

Consolidated statement of other comprehensive income

(euros)	Notes	2018	2017
Profit (loss) for the period	**18**	**114,390,115**	**101,497,826**
Other comprehensive income recyclable to profit/(loss):			
- Differences arising from the translation of foreign financial statements	18	2,462,275	(5,740,622)
- Fair value of derivative financial instruments	10 and 18	(78,266)	(1,095,239)
- Tax effect of the valuation at fair value of derivative financial instruments	11 and 18	18,785	262,857
Total other comprehensive income recyclable to profit or loss		***2,402,794***	***(6,573,004)***
Other comprehensive income not recyclable to profit or loss:			
- fair value measurement of investments in other entities	9	6,668,569	0
- Actuarial gains/(losses) on employee benefits	18 and 20	1,404,025	137,516
- Tax effect of actuarial gains/(losses) on employee benefits	11 and 18	(1,737,371)	(33,004)
Other comprehensive income not recyclable to profit or loss		***6,335,223***	***104,512***
Comprehensive Income		**123,128,132**	**95,029,334**
Pertaining to Parent Company		123,128,132	95,029,334
Pertaining to non-controlling interests		0	0

Consolidated statement of changes in shareholders' equity

(euros)	Share capital	Reserves: Legal reserve	Reserves: Sundry reserves	Reserves: Reserve from actuarial gains/(losses) for employee benefits	Reserves: Cash flow hedges	Reserves: Total reserves	Retained earnings/(loss carryforward)	Profit (loss) for the year	Total shareholders' equity
Balance at 31 December 2016	**541,744,385**	**18,367,635**	**444,794,783**	**(10,257,651)**	**2,849,039**	**455,753,806**	**45,982,811**	**76,345,474**	**1,119,826,476**
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 distribution	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	(5,740,622)	0	0	(5,740,622)	0	0	(5,740,622)
Long-Term Incentive Plan	0	0	456,124	0	0	456,124	0	0	456,124
Comprehensive income, of which:									
- Profit (loss) recognised directly in equity	0	0	0	104,512	(832,382)	(727,870)	0	0	(727,870)
- Profit (loss) for the year	0	0	0	0	0	0	0	101,497,826	101,497,826
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 standards	0	0	0	0	0	0	(341,674)	0	(341,674)
Balance at 1 January 2018	**541,744,385**	**21,937,829**	**439,510,285**	**(10,153,139)**	**2,016,657**	**453,311,632**	**23,069,405**	**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 distribution	0	0	0	0	0	0	(100,981,153)	0	(100,981,153)
Purchase of treasury shares	0	0	(4,973,154)	0	0	(4,973,154)	0	0	(4,973,154)
Currency translation difference reserve	0	0	2,462,275	0	0	2,462,275	0	0	2,462,275
Long-Term Incentive Plan	0	0	761,642	0	0	761,642	0	0	761,642
Comprehensive income, of which:									
- Profit (loss) recognised directly in equity	0	0	5,268,164	1,067,059	(59,481)	6,275,742	0	0	6,275,742
- Profit (loss) for the year	0	0	0	0	0	0	0	114,390,115	114,390,115
Balance at 31 December 2018	**541,744,385**	**26,663,066**	**443,029,212**	**(9,086,080)**	**1,957,176**	**462,563,374**	**18,860,841**	**114,390,115**	**1,137,558,715**

Consolidated statement of cash flows

	(thousands of euros)	Notes	2018	of which related parties	2017	of which related parties
A -	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (*)**	**16**	**264,275**		**231,811**	
	Net cash flow generated/(absorbed) from operating activities					
	Profit (loss) for the year	**18**	114,390	0	101,498	0
	Depreciation and amortisation	**7 and 8**	137,830	0	140,060	0
	Net change in liabilities for employee benefits	**20**	(1,952)	0	(2,114)	0
	Change resulting from exchange rate differences	**18**	(9)	0	(3,536)	0
	Loss on sale of property, plant and equipment and impairment loss of property, plant and equipment and intangible assets	**7 and 8**	1,108	0	1,189	0
	Other income/expense on non-cash flows	**7**	(764)	0	837	0
	Provision for stock grant plans	**28**	745	0	456	0
	Net provisions for risks and charges	**19**	(3,266)	0	(1,549)	0
	Net change in deferred tax assets and deferred tax liabilities	**11**	7,949	0	(840)	0
	Decrease/(increase) in inventories	**14**	451	0	463	0
	Decrease/(increase) in current and non-current trade receivables	**13**	90,079	819	6,188	(881)
	Decrease/(increase) in tax receivables and tax and social security payables	**12 and 24**	(8,257)	0	10,719	0
	Change in other current assets and liabilities	**15 and 23**	(52,048)	(26,534)	(42,173)	(43,778)
	Change in other non-current assets and liabilities	**23**	44,126	(22,110)	(5,630)	0
	Increase/(decrease) in current and non-current trade payables	**22**	(22,335)	(150)	(11,930)	102
B -	**TOTAL CASH FLOW FROM OPERATING ACTIVITIES**		**308,047**		**193,638**	
	of which taxes paid		(44,395)		(36,547)	0
	of which interest paid		(3,651)		(3,650)	0
	Net cash flow generated/(absorbed) from investing activities					
	Investments in property, plant and equipment	**7**	(110,258)	0	(106,889)	0
	Investments in intangible assets	**8**	(6,718)	0	(8,488)	0
	Increase/(decrease) in trade payables	**22**	28,624	(4,868)	17,251	(10,737)
	Sale of property, plant and equipment	**7**	4,500	0	0	0
	Decrease/(increase) in trade receivables for investments	**13**	(3,000)	0	0	0
	Investments in other entities	**9**	0	0	(16,890)	0
	Investments in financial assets	**10**	(33,893)	0	0	0
C -	**TOTAL CASH FLOW FROM INVESTING ACTIVITIES**		**(120,745)**		**(115,016)**	
	Net cash flow generated/(absorbed) from financing activities					
	New medium and long term loans	**21**	0	0	80,000	0
	(Repayments) of medium and long term loans	**21**	(28,996)	(1,664)	(31,333)	(3,310)
	Net change in long-term financial liabilities	**21**	41	0	220	0
	Bond issue	**21**	0	0	0	0
	Net change in short-term financial liabilities	**21**	0	0	0	0
	(Increase)/Decrease in current financial assets	**10**	241	0	(304)	0
	(Increase)/Decrease in non-current financial assets	**10**	740	0	670	0
	Purchase of treasury shares	**18**	(4,973)	0	0	0
	Change in share capital		0	0	0	0
	Dividend distribution	**18**	(100,981)	(53,803)	(95,347)	(50,890)
D -	**TOTAL CASH FLOW FROM FINANCING ACTIVITIES**		**(133,928)**		**(46,094)**	
E -	**Total cash flow (B+C+D)**		**53,374**		**32,528**	
F -	**Exchange rate differences on cash**		**67**		**(64)**	
G -	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+E+F) (**)**	**16**	**317,716**		**264,275**	

(*) Cash and cash equivalents at the beginning of the year include €940 thousand of the liquidity of Sicta Consortium in liquidation, reclassified as part of assets held for sale.

(**) Cash and cash equivalents at the end of the year include €1,406 thousand of the liquidity of Sicta Consortium in liquidation, reclassified as part of assets held for sale.

NOTES TO THE FINANCIAL STATEMENTS OF THE ENAV GROUP

1. General information

ENAV S.p.A. (hereinafter also the "Parent Company"), was established in 2001 following the transformation with Law 665/1996 of the "Ente Pubblico Economico denominato Ente Nazionale di Assistenza al Volo" (the National Agency for Flight Assistance), a public enterprise, 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.

Since 26 July 2016, ENAV shares have been listed on the Mercato Telematico Azionario (MTA) organised and operated by Borsa Italiana S.p.A. and, at 31 December 2017, 53.28% the Company was owned by the Ministry for the Economy and Finance (MEF) and 46.50% by institutional and individual shareholders, with 0.22% being held by ENAV as treasury shares.

The activity of the ENAV Group consists of the air traffic control and management services and other essential services provided by the Parent Company for air navigation in Italian airspace skies and at the national civil airports for which it is responsible, as well as the technical operation and maintenance of air traffic control equipment and systems, and commercial development and aeronautical consulting activities. The measurement and presentation of operations is broken down into three operating sectors, namely *air navigation services, maintenance services* and a remaining sector defined as *other sectors*.

The Group's consolidated financial statements for the year ended 31 December 2018 include the financial statements of ENAV S.p.A. and its subsidiaries and were approved by the Board of Directors on 11 March 2019, which authorised their dissemination. These financial statements have undergone statutory audit by EY S.p.A., which was engaged for the 2016-2024 period by the Shareholders' Meeting on 29 April 2016.

2. Form and content of the consolidated financial statements

The consolidated financial statements of the ENAV Group at 31 December 2018 were prepared in conformity with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations (IFRIC and SIC), endorsed by the European Union in accordance with the provisions of Regulation (EC) No. 1606/2002 as well as Legislative Decree 38 of 28 February 2005, which governed the application of the IFRS under the scope of Italian law.

"IFRS" refers to all the International Financial Reporting Standards, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European

Union and contained in the related EU Regulations published up to 11 March 2019, the date on which the ENAV S.p.A. Board of Directors approved the consolidated financial statements.

The accounting standards described below reflect the full operation of the ENAV Group in the foreseeable future, as it is assumed to continue operating as a going concern, and are in conformity with those applied in the preparation of the consolidated financial statements for the previous year, with the exception of the new standards discussed in section 6.

The consolidated financial statements were prepared and presented in euros, which is the functional currency of the ENAV Group. All the amounts in the tables in the notes and comments below are stated in thousands of euros, unless indicated otherwise.

The financial statements used and associated classification criteria adopted by the ENAV Group are indicated below under the scope of the options provided for in IAS 1 *Presentation of Financial Statements* and in conformity with the provisions of Consob Resolution No. 15519 of 27 July 2006 with regard to reporting the value of positions or transactions with related parties in the financial statements and, where applicable, the representation in the consolidated income statement of revenue and expense from significant non-recurring transactions or circumstances that do not occur frequently in regular operations. In 2018 there were no atypical or significant transactions requiring separate reporting. The following financial statements were used:

- *consolidated statement of financial position*, prepared by classifying assets and liabilities as current or non-current, with separate reporting, if present, of assets classified as held for sale and the liabilities included in a disposal group classified as held for sale or for distribution to shareholders. Current assets, which include cash and cash equivalents, are those that are intended to be realised, sold or consumed in the normal operating cycle of the Group or in the 12 months after the close of the year. Current liabilities are those which are expected to be extinguished in the normal operating cycle of the Group or in the 12 months after the close of the year.
- *consolidated income statement*, prepared by classifying operating costs by their nature. The figures for 2017 have been restated only to ensure comparability with the 2018 figures, which were determined in compliance with the new IFRS 15. The effects of the new standard were recognised in opening shareholders' equity at 1 January 2018 and the full retrospective approach was not adopted;
- *consolidated statement of other comprehensive income*, which, in addition to the result for the year taken from the consolidated income statement, includes other changes in consolidated shareholders' equity items, separated into items which will later be reclassified (recycled) to the income statement and those which will not;
- *consolidated statement of changes in shareholders' equity;*

- *consolidated statement of cash flows*, prepared by reporting cash flows from operations using the indirect method and by presenting net cash flows generated from operating, investing and financing activities.

The consolidated financial statements were prepared on a historic cost basis with the exception of financial statement items that must be measured at fair value.

Each item of the consolidated financial statements is compared with the corresponding figure for the previous year. As detailed in section 6 below, IFRS 15 and IFRS 9 have been applied for the first time with effect from 1 January 2018. In conformity with those standards, the corresponding figures for the previous year have not been restated, but the effects of first-time application have been recognised in shareholders' equity, as described in more detail in section 6.

3. Scope and basis of consolidation

In addition to the Parent Company, the consolidated financial statements include the companies over which the latter exercises control, directly or indirectly through its subsidiaries, starting from the date of acquisition and until the date such control ceases, in accordance with IFRS 10.

Control is acquired when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. it has existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Generally speaking, it is assumed that holding a majority of voting rights gives control. In support of this assumption, when the Group owns less than the majority of voting rights or similar rights, the Group considers all the facts and relevant circumstances to establish whether it controls the investee, including:

- contractual agreements with other holders of voting rights;
- rights deriving from contractual agreements;
- Group voting rights;
- potential Group voting rights;
- a combination of the previous facts and circumstances.

The Group reassesses whether it controls an investee if the facts and circumstances indicate that changes may have taken place in one or more of the three elements of control indicated above. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

If the Group loses control of a subsidiary, it eliminates the related assets and liabilities and other components of equity, while any profit or loss is recognised in the income statement. Any portion of the investment retained is recognised at fair value.

The scope of consolidation changed in 2018 with the establishment of D-Flight S.p.A. in November 2018. The companies within the scope of consolidation are reported in the following table, showing their share capital at 31 December 2018 in thousands of euros and the percentage holding in the company:

						% participation	
Name	**Office**	**Activities carried out**	**Currency**	**Consolidation Method**	**Share Capital**	**direct**	**Group**
Subsidiaries							
Techno Sky S.r.l.	Rome	Services	Euro	Line-by-line	1,600	100%	100%
D-Flight S.p.A.	Rome	Services	Euro	Line-by-line	50	100%	100%
Evan Asia Pacific	Kuala Lumpur	Services	Malaysian ringgit	Line-by-line	127	100%	100%
Consorzio Sicta in liquidazione	Naples	Services	Euro	Line-by-line	1,033	60%	100%
Evan North Atlantic	Miami	Services	US dollar	Line-by-line	44,974	100%	100%

The financial statements of the subsidiaries are prepared with reference to 31 December 2018, the reference date of the consolidated financial statements, specifically drawn up and approved by the administrative bodies of the individual entities, appropriately adjusted, where necessary, to ensure uniformity with the accounting standards applied by the ENAV Group.

The subsidiaries included in the scope of consolidation are consolidated on a line-by-line basis, as follows:

- the assets and liabilities, income and expenses of the fully consolidated entities are consolidated on a line-by-line basis in the consolidated financial statements;
- the carrying amount of equity investments is eliminated against the corresponding fraction of the shareholders' equity of the investees, attributing to the individual elements of assets or liabilities their fair value at the date of the acquisition of control;
- unrealised gains and losses of the Group on transactions between Group companies are eliminated, as are reciprocal debtor and creditor positions and costs and revenues;
- the consolidation adjustments take account of deferred tax effects.

Translation of financial statements of foreign companies

The financial statements of subsidiaries are prepared using the currency of the primary economic environment in which they operate. For the purpose of the consolidated financial statements, the financial statements of each foreign company are translated into euros, which is the Group's functional currency, as follows:

- assets and liabilities are converted using the exchange rates at the reporting date;

- costs and revenues are converted at the average exchange rate for the year and the result is deemed a reliable approximation of the result from the application of the exchange rates prevailing on the date of each transaction;
- the translation reserve, reported under consolidated shareholders' equity, includes both the exchange rate differences generated by the conversion of items at a different rate from the closing rate and from those generated by the translation of opening shareholders' equity at a different exchange rate from the closing rate for the reporting period. This reserve is reversed to profit or loss at the time of disposal of the investment.

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

	31.12.2018		31.12.2017	
	12-month average	at 31 December	12-month average	at 31 December
Malaysian ringgit	4.7642	4.7317	4.8501	4.8536
US dollar	1.1815	1.1450	1.1293	1.1993

Business combinations

Business combinations in which control of an entity is acquired are reported in accordance with the provisions in IFRS 3 *Business combinations,* using the acquisition method. The acquisition cost, namely the consideration transferred, is represented by the fair value at the acquisition date of the assets transferred, the liabilities assumed, and any equity interests issued by the acquirer. The acquisition cost includes the fair value of any assets and liabilities in respect of contingent consideration. The costs directly attributable to the acquisition are expensed through profit or loss.

The acquisition cost is allocated by recognising the identifiable assets, liabilities and contingent liabilities at their fair value at the acquisition date and the amount of any non-controlling interest. Any difference with the net fair value of the identifiable assets and liabilities of the acquiree, is recognised as goodwill or, if negative, it is recognised through profit or loss. The value of non-controlling interests is calculated in proportion to the investment held by third parties in the identifiable net assets, i.e. at their fair value at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at fair value and any (positive or negative) difference recognised through profit or loss.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration, classified as a financial instrument pursuant to IFRS 9, are recognised through profit or loss. Contingent consideration classified as equity instruments are not remeasured and is recognised directly in equity.

If the fair values of the assets, liabilities and contingent liabilities are determined provisionally, the business combination is recognised using these provisional values. Any adjustments resulting from the completion of the valuation process are recognised within 12 months of the acquisition date, restating the comparative figures.

The goodwill that emerges from the acquisition of subsidiaries is the excess of the consideration paid, as measured at fair value on the acquisition date, over with the net fair value of the identifiable assets and liabilities. After initial recognition, goodwill is not subject to amortisation, but undergoes testing of its recoverable value at least once a year. For impairment testing purposes, the goodwill acquired in a business combination is allocated, from the acquisition date, to each cash generating unit or CGU of the Group in which benefits are expected from the synergies created with the combination, irrespective of the fact that other assets or liabilities of the acquiree have been allocated to these units.

A CGU is the smallest group of assets that generates largely independent cash flows. In the process of identifying the CGUs, management has taken into account the specific nature of the activity and the business it belongs to (business areas, legislative framework, etc.), verifying that the inward cash flows from a group of assets are largely independent of those from other assets (or groups of assets). Additionally, the assets included in each CGU were also identified on the basis of the methods through which management monitors and manages them within the scope of its business model.

If goodwill was allocated to a cash generating unit and the entity divests some of the assets of this unit, the goodwill associated with the divested assets is included in the carrying amount of the asset when the gain or loss from the divestment is calculated. The goodwill associated with the divested assets is calculated on the basis of the values relating to the divested asset and the part retained by the cash generating unit.

Conversion of items in foreign currencies

Transactions in currencies other than the Group’s functional currency are recognised at the exchange rate prevailing at the date of the transaction. At the end of the year, monetary assets and liabilities denominated in currencies other than the euro are adjusted at the year-end exchange rate and the related exchange rate gains and losses are recognised through consolidated profit or loss.

4. Accounting standards

The most important accounting standards and measurement criteria applied in the preparation of the consolidated financial statements are described below.

Property, plant and equipment

Property, plant and equipment is recognised at cost, net of accumulated depreciation and any impairment losses. The cost includes directly attributable ancillary costs incurred to prepare the asset for the use for which it was acquired. Cost incurred for major repairs or maintenance are recognised in the carrying amount of the equipment or machinery, where the recognition criterion is satisfied. All other repair and maintenance costs are recognised through profit or loss when incurred. In any event, the costs incurred after acquisition are recognised as an increase in the carrying amount of the item referred to if it is likely that the future benefits associated with the cost will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis, from the time the asset is available and ready for use, over the estimated useful life of the asset, which is reviewed annually. Any changes in the useful life will be made and applied prospectively. Depreciation takes account of any residual value of the assets. When the asset subject to depreciation is composed of separately identifiable parts whose useful life differs significantly from that of the other parts of the asset, each of these parts shall be depreciated separately, applying the component approach method.

The estimated useful lives of the main classes of property, plant and equipment are as follows:

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

The carrying amount of property, plant and equipment is checked to detect any impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recovered. If there is such evidence and if the carrying amount exceeds the recoverable value, the assets are written down and recognised at their recoverable value. The recoverable value of property, plant and equipment is represented by the higher of the asset's fair value less costs to sell and its value in use.

For an asset that does not generate largely independent cash flows, the realisable value is calculated in relation to the cash generating unit to which this asset belongs. Impairment losses are recognised in the income statement under the item writedowns and impairment losses. These impairments are reinstated if the reasons that generated them disappear, within the limits of the net carrying amount that the asset in question would have had if the writedown had not been made and if the depreciation had taken place.

At the time of the sale or when the future economic benefits anticipated from the use of an asset do not exist, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sale value and the carrying amount) is recognised through profit or loss in the year of the above-mentioned derecognition. Measurement shall take account of the provisions of IFRS 15.

Intangible assets

The intangible assets consist of identifiable non-monetary assets without physical substance that can be controlled and will generate future economic benefits. These assets are recognised at purchase cost or production cost, including any directly attributable ancillary costs necessary to prepare the assets for use, net of accumulated amortisation (with the exception of intangible assets with an indefinite useful life) and any impairment. Intangible assets acquired through business combinations such as goodwill are recognised at the fair value defined at the acquisition date, if this value can be calculated reliably. The costs of intangible assets generated internally are not capitalised and are recognised through profit or loss in the year in which they are incurred.

Amortisation starts at the time the asset is available for use and is allocated systematically over its residual useful life.

The useful life of intangible assets may be finite or indefinite.

Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful life and undergo impairment testing if there is evidence of possible impairment. The residual useful life is reviewed at the end of each year or more frequently if necessary. Changes in the expected useful life or in the manner in which future economic benefits from the intangible assets flow to the Group are reflected by changing the period and/or method of amortisation and treated as changes in accounting estimates.

The gain or loss arising from the disposal of an intangible asset shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and they are recognised through profit or loss at the time of the disposal. Measurement shall take account of the provisions of IFRS 15.

Intangible assets with an indefinite useful life do not undergo systematic amortisation but rather undergo impairment testing at least once a year in order to identify any impairment losses, both at an individual level and at the level of the cash generating unit. Any change in the classification of an intangible asset from indefinite useful life to definite useful life is applied prospectively.

The Group does not recognise assets with an indefinite useful life with the exception of goodwill from a business combination.

Inventories

Inventories, represented essentially by spare parts for air traffic control systems and equipment, are recognised at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula, which includes related ancillary costs. If inventories can no longer be used because they have become obsolete, they are written down through the provision for inventory losses, directly adjusting the value of the asset.

Investments in other entities

Investments in other entities representing equity instruments are measured at fair value.
The Group has irrevocably elected to recognise changes in fair value under other comprehensive income, i.e. in a specific equity reserve, without recycling to profit or loss.

Financial assets

The new international accounting standard IFRS 9 took effect as from 1 January 2018, replacing IAS 39, which had been applied until the financial statements for the year ending 31 December 2017. The following discusses the methods for presenting financial assets in the financial statements at the time of initial recognition and subsequent measurement.
At the time of initial recognition, financial assets are classified, depending on the asset, using the following measurement methods: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of assets and on the business model that the Group uses for their management. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures financial assets at their fair value plus transaction costs in the case of financial assets not recognised at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the price of the transaction determined in accordance with IFRS 15.
In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). This assessment is referred to as the SPPI test and is performed at the level of the instrument.
The Group's business model for the management of financial assets refers to the way in which it manages its financial assets in order to generate cash flows. The business model is determined by whether the cash

flows are derived from the collection of contractual cash flows, the sale of financial assets or both. The Group holds its financial assets to maturity.

For the purposes of the subsequent measurement, financial assets can be classified into four categories in accordance with IFRS 9: i) financial assets at amortised cost (debt instruments); ii) financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses (debt instruments); iii) financial assets at fair value through other comprehensive income without reclassification of accumulated gains and losses at the time of disposal (equity instruments); and iv) financial assets at fair value through profit or loss. The details of the financial assets applicable to the cases relevant to the Group are shown below.

<u>Financial assets at amortised cost (debt instruments)</u>

This category is the most relevant for the Group. The Group measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and undergo impairment testing. Gains and losses are recognised through profit or loss when the asset is eliminated, modified or revalued. Within the consolidated financial statements, financial assets at amortised cost include the following: current and non-current financial assets, current and non-current trade receivables and other current and non-current assets.

<u>Investments in equity instruments</u>

Upon initial recognition, the Group may irrevocably elect to classify its equity investments as equity instruments recognised at fair value through OCI when they meet the definition of equity instruments in accordance with IAS 32 "Financial Instruments: Presentation" and they are not held for trading. The classification is determined for each individual instrument.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other revenues in the income statement when the right to payment has been established, except when the Group benefits from such income as part of the cost of the financial asset, in which case those profits are recognised in OCI. Equity instruments recognised at fair value through OCI do not undergo impairment testing.

The Group has elected to irrevocably classify its unlisted equity investment in this category and, consequently, recognises changes in fair value through OCI.

The carrying amount of financial assets not measured at fair value through profit or loss is reduced using the new expected loss introduced with IFRS 9, applicable as from 1 January 2018. This model requires an assessment of expected losses based on the estimated probability of default, the percentage loss given default and credit risk. These assessment factors are determined using historical data, forward-looking information and information available from info providers, where such information can be obtained without undue cost.

For certain categories of financial assets at amortised cost, such as trade receivables and contract assets, the Group adopts the simplified approach to the new impairment model. This simplified approach is based on management of creditor positions by portfolio and on the division of receivables into specific clusters that take account of the specific nature of the business, the client's operating status, past due information and the specific regulatory framework.

If the amount of an expected loss recognised in the past should decrease and the decrease can be linked to an event that occurred after the recognition of the expected loss, it is reversed to profit or loss.

Financial assets are derecognised when the right to receive the cash flows of the instrument has expired or substantially all the risks and rewards of ownership of the instrument have been transferred.

Cash and cash equivalents

Cash and cash equivalents include cash, unencumbered bank deposits and other forms of short-term investments not exceeding three months that can readily be converted into cash. At the reporting date, current account overdrafts are classified as financial debt under current liabilities in the consolidated statement of financial position.

Derivative financial instruments

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

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The derivative financial instruments of the ENAV Group are represented by forward contracts in currencies held to hedge exchange rate risk. At the inception of the hedge, the Group formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued, in line with IFRS 9.

As from 1 January 2018, the documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedge relationship meets the hedge effectiveness requirements (including the analysis of the sources of hedge ineffectiveness and how the hedge ratio is determined). The hedge relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

At the date the contract is signed, derivative financial instruments are measured at fair value both at initial recognition and at each subsequent measurement. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivative instruments are classified as current or non-current depending on their expiry date and the Group's intention continue to hold or not to hold these instruments until expiry.

Having met the requirements described above, hedge accounting is applied to transactions undertaken to hedge the Group against exposure to the risk of variations in the cash flows associated with an asset, liability or highly probable forecast transaction. Accordingly the portion of the gain or loss on the hedging instrument attributable to the effective portion of the hedge is recognised in other comprehensive income in a specific shareholders' equity reserve denominated the cash flow hedge reserve, while the ineffective portion is recognised directly in the income statement under other revenues and income or other operating costs.

The amounts recognised in other comprehensive income are later reclassified to profit or loss when the hedged transaction impacts profit or loss, such as, for example, as a result of a disposal or a writedown.

If the hedging instrument is sold, expires, is cancelled or exercised without replacement, or it no longer qualifies as an effective hedge of the risk for which the transaction was initiated, the portion of the cash flow hedge reserve relating to it is maintained until the effects of the underlying contract are manifested.

When a forecast transaction is no longer deemed probable, the gains profits or losses recognised in equity are reclassified immediately to profit or loss.

With reference to the calculation of fair value, the ENAV Group operates in compliance with the requirements of IFRS 13 where such criterion is required by international accounting standards for recognition and/or measurement or in order to provide additional information with regard to specific assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value of instruments listed on public markets is given by their bid prices at year-end.

The fair value of unlisted instruments is measured using financial valuation techniques.

Financial assets and liabilities measured at fair value are classified in the three hierarchical levels described below, based on the type of information used in calculating the fair value. In particular:

Level 1: fair value calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2: fair value calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: fair value calculated using valuation techniques employing unobservable inputs for the asset or liability.

For assets and liabilities measured at fair value on a recurring basis, the Group determines whether there has been a transfer between the levels indicated above, identifying the level at the end of each accounting period as the lowest level input that is significant to the entire measurement.

Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if the carrying amount will mainly be recovered through sale or liquidation rather than through continuing use.

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

Non-current assets held for sale, current and non-current assets in disposal groups and directly associated liabilities are recognised in the statement of financial position separately from other assets and liabilities.

Immediately before the classification as held for sale, assets and liabilities in a disposal group are measured in accordance with the accounting standards applicable to them. Subsequently, these net assets are not subject to amortisation or depreciation and they are measured at the lower of carrying amount and fair value.

Financial liabilities

The new international accounting standard IFRS 9 took effect as from 1 January 2018, replacing IAS 39, which had been applied until the financial statements for the year ending 31 December 2017. The following discusses the methods for presenting financial liabilities in the financial statements.

Financial liabilities are classified at the time of initial recognition under financial liabilities at fair value through profit or loss, loans and receivables, or derivatives designated as hedging instruments. All financial liabilities are initially recognised at fair value, plus, in the case of loans and payables, any transaction costs directly attributable to them. The Group's financial liabilities include trade payables and other liabilities and loans, including current account overdrafts.

The subsequent measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include liabilities held for trading and financial liabilities initially recognised at fair value through profit or loss. Liabilities held for trading are all those assumed with the intent of extinguishing them or transferring them in the short term.

Financial liabilities are designated as at fair value through profit or loss from the date of initial recognition only if the criteria for such recognition set out in IFRS 9 are met. At the time of initial recognition, the Group has not designated any financial liabilities as at fair value through profit or loss.

Loans and receivables

This is the most relevant category for the Group. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised through profit or loss when the liability is extinguished as well as through the process of amortisation.

Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is reported under financial expense in the income statement.

Payables and other financial liabilities are classified as current liabilities except when the contract will expire more than twelve months after the reporting date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when they are extinguished, or when the obligation specified in the contract is discharged.

Employee benefits

Employee benefits are all forms of consideration paid by the Group for service rendered by employees.

Short-term employee benefits are represented by wages, salaries, social security contributions, indemnities in lieu of holidays and incentives paid in the form of a bonus payable within twelve months of the reporting date. These benefits are accounted for as components of personnel costs in the period in which the service was provided.

Post-employment benefits are divided into two types: defined-benefit plans and defined-contribution plans. Defined-benefit plans are plans under which the employer is committed to paying the necessary contributions sufficient to guarantee the payment of fixed future pension benefits to employees, with the employer assuming the actuarial risk. Since the amount of the benefit to be paid under a defined-benefit plan can only be quantified after the termination of the employment relationship, the related financial effects are recognised on the basis of actuarial calculations performed in conformity with IAS 19. Defined-contribution plans are plans whereby the employer pays fixed contributions into a fund. The obligation of the employer is extinguished with the payment of contributions to the fund and the actuarial risk is borne by the employee. In defined-contribution plans, the contribution costs are recognised in profit and loss when they are incurred at their nominal value.

Employee severance pay (Italy's *trattamento di fine rapporto* system, or TFR) due to employees pursuant to Article 2120 of the Italian Civil Code accrued up to 31 December 2006 is treated as a defined-benefit plan, while severance pay accrued with effect from 1 January 2007, in compliance with Law 296 of 27 December 2006, has been credited to supplementary pension funds or the treasury fund established by INPS (Italy's National Social Security Institute) on the basis of the implicit and explicit choices made by employees. The liability is projected to the future using the projected unit credit method in order to calculate the probable amount to be paid at the time of termination of employment, and is then discounted to take account of the time that will elapse before the effective payment. The liability recognised in the financial statements is based on the conclusion reached by actuaries external to the Group. The calculation takes account of the severance entitlement accrued for service already rendered and is based on actuarial assumptions mainly comprising: demographic factors (such as employee turnover and mortality) and financial factors (such as the inflation rate and the discount rate for maturities consistent with the expected date of termination). The value of the liability recognised in the financial statements is, therefore, in line with the actuarial measurement, and actuarial gains and losses resulting from the calculation are allocated directly to shareholders' equity under other comprehensive income in the period in which they arise, taking account of the related deferred tax effects.

The severance pay due to employees pursuant to Article 2120 of the Italian Civil Code accrued since 1 January 2007 and mandatorily credited to a supplementary pension fund or to the treasury fund at INPS is considered a defined-contribution plan. These plans are managed by third-party fund managers, in relation to which the Company has no obligations and to which the Group pays contributions with the contribution costs recognised through profit or loss when they are incurred at their nominal value.

Termination benefits are paid to employees for termination of the employment relationship are recognised as liabilities when the company decides to end the employment relationship with an employee or a group of employees before the normal retirement date, or when an employee or a group of employees decides to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised immediately under personnel costs.

Long-term share-based incentive plan

Long-term share-based incentive plans, in conformity with IFRS 2, are a component of remuneration for the beneficiaries involving payment in the form of equity instruments (equity-settled share-based payment transaction). The cost of such plans is represented by the fair value of those instruments calculated at the grant date, and it is recognised under personnel costs over the period between the grant date and the vesting date, with a matching entry in the stock grant reserve under shareholders' equity. The overall

estimated amount is deferred over the vesting period, and personnel costs and the corresponding increase in equity are periodically recognised as a portion of the estimated amount.
The estimated cost should be reviewed during the vesting period if subsequent information indicates that the number of instruments that will vest at the end of the vesting period will differ from the original estimates. The change in the estimate will, if necessary, be recognised as an adjustment in the stock grant reserve, with a matching entry in personnel costs.

Provisions for risks and charges

Provisions for risks and charges are recognised for losses and charges that an entity will certainly or probably incur but whose amount and/or timing are uncertain. Provisions are only recognised when there is a current obligation (legal or constructive) arising from a past event, the settlement of which is expected to result in an outflow of resources to discharge the obligation, and when it is possible to reliably estimate the amount.
Where the effect of the time value of money is material and the payment dates of the obligations can be reliably estimated, the provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When the provision is discounted, the periodic adjustment of the fair value associated with the time value of money is reflected in profit or loss as financial expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised as a separate asset when it is virtually certain that reimbursement will be received.
Changes in the estimates for provisions are recognised in profit or loss in the period in which the change takes place and produce an increase in liabilities. Reductions in estimates are recognised in liabilities up to the carrying amount and any excess is recognised through profit or loss under the same item they refer to.
The amounts recognised in the provision for risks and charges are separated into current and non-current amounts based on when the liability is expected to be paid or extinguished.
Risks for which the recognition of a liability is only possible are disclosed in a specific section on contingent liabilities and no provision is made.

Grants

Operating grants are recognised in the year in which the right to receive them becomes reasonably certain, irrespective of the date they are received.
Government capital grants are recognised if the grantor has made a formal award decision and only if, based on information available at year-end, it is reasonable certain that the project for which the grant is being made will actually be carried out and that the grant will be received. Government capital grants are recognised in a dedicated item under current and non-current liabilities, depending on the timing of their

disbursement and they are reversed to the income statement as income at constant rates calculated with reference to the useful life of the asset to which the grant directly refers, thereby ensuring a correlation with the depreciation charges for those assets.

Revenue from contracts with customers

Revenues are recognised at the consideration received or receivable, net of discounts and rebates, and are recognised when the entity satisfies a performance obligation to transfer a good or a service to a customer. The transfer takes place when the customer obtains control of the good or service, i.e. when the customer has the ability to direct its use and obtain substantially all the benefits. Control can be transferred at a certain point in time or over time, assessing the transfer using appropriate methods for measuring progress (output and/or input methods)

The transaction price also considers (using the expected value and/or most likely amount methods) variable components of the consideration when it is highly probable that there will not be a significant reversal of the revenue in the future. Transactions are also adjusted to take into account the time value of money.

The above methods of accounting for revenues took effect as from 1 January 2018 with the adoption of IFRS 15. Please see to the section “Impact of the adoption of the new accounting standards applicable from 1 January 2018” for more information on the impact of first-time adoption.

The introduction of the new standard has had a marginal impact (impact on Group shareholders’ equity, including deferred tax liabilities, was €3 thousand), recognised at first-time adoption, among services provided on the non-regulated market, limited to certain over-time contracts for which the associated progress was measured, while the new standard had no impact on regulated market revenues. The Group’s revenues are summarized below, broken down by nature:

- regulated market: two separate performance obligations to satisfy over time in the context of en-route and terminal streams. Progress is measures using the output method based on service units generated in en-route and terminal services and Balances represent the variable consideration, appropriately adjusted to take account of the time value of money;
- non-regulated market: non-core revenues are broken down by type of transaction: flight inspection, aeronautical consulting, technical and engineering services, training and other revenues. Revenues typically recognised over time are limited mainly to aeronautical consulting services.

Balances – Revenue from contracts with customers

The countries that belong to Eurocontrol used an en-route charging system until 31 December 2011 known as cost recovery. This system is based on the concept that the amount of revenues was commensurate with the value of the costs incurred for en-route air navigation control services. By virtue of this principle, the charges were kept at the value that made it hypothetically possible to achieve break-even. At the end of the year, if revenues were higher than costs a negative Balance (over-recovery) would be generated, which would give rise to an adjustment in the income statement for the greater revenues and the recognition of a balance payable. If, on the other hand, revenues were lower than the costs incurred, greater revenue would be recognised in the income statement and a positive Balance receivable recorded (under-recovery). In compliance with the cost-recovery principle, the balance therefore represented the result of the correction mechanism used to adjust the amount of revenues to the effective billable costs incurred. The effects of this mechanism were reflected for rate purposes starting from the second year after the reference year and taken to profit or loss with the opposite sign of the balance recognised.

From 1 January 2015 this cost-recovery mechanism applied exclusively to terminal Charging Zone 3.

With effect from 2012 and following the entry into force of the system for the provision of en-route air navigation services, in accordance with EU regulations on the European Single Sky, a new management system was introduced based on the measurement and optimisation of operating and financial performance, with the consequent abandonment of the cost-recovery system. The instrument for the implementation of the performance scheme is the National Performance Plan, approved for 2015-2019 (the second reference period), in which the actions and targets to be achieved in the reference period are set out. These efficiency targets involve the introduction of risk elements to be borne by providers, and therefore ENAV, with regard to both traffic and costs. Specifically, the traffic risk mechanism involves the sharing of traffic risk between providers and airspace users, where positive and negative changes of up to 2% in actual traffic compared with planned traffic are totally the responsibility of providers, while changes of between 2% and 10% are shared, with 70% borne by the airlines and 30% by the providers. The cost-recovery methodology applies for variations of more than 10%. Under the rules described previously, any positive or negative divergence associated with traffic risk generates an adjustment to en-route revenues using the item “Balance charge adjustment for the year”. The receivable and payable components of the balance, whether current or non-current, are classified under current and non-current trade receivables in the manner of contract assets/liabilities consistent with IFRS 15. The associated receivables/payables in respect of the balance are identified separately in the explanatory notes.

With regard to cost risk, the possibility of transferring in full any differences between planned amounts and the actual figures at the end of the year was eliminated. These divergences, whether negative or positive, are borne by providers.

Since 2015, these European rules also apply to terminal services, which have been incorporated in the performance plan using different methods depending on the charging zone. In effect, terminal charges are divided into three zones:

- zone 1, which includes airports with more 225,000 movements per year, to which the cost risk and traffic risk mechanisms apply in the same manner as en-route services;

- zone 2, which includes airports with between 225,000 and 70,000 movements per year, to which only the cost risk mechanism applies;
- zone 3, which includes airports with fewer than 70,000 movements per year and are excluded from the EU performance plan, to which the cost-recovery mechanism applies.

Under the rules described above, any positive or negative difference generates an adjustment to terminal revenues using the item “Balance charge adjustment for the year”.

For both terminal services and en-route services, the “Balance charge adjustment for the year” item makes it possible to represent the volume of revenues corresponding to the performance effectively delivered during the reference period, which, as a result of the nature of the specific charging mechanisms, can only be settled ex post. In other words, the reductions or increases in revenues make it possible to recognise revenues for the reference period at the fair value of the consideration accrued as a result of the performance achieved.

The “Balance charge adjustment for the year” will only be reflected in charges at least two years later, while in the year ending the receivable/payable balance recognised in profit or loss through the item “Balance utilisation” is the amount recognised at least two years earlier and included in the charge for the year.

Bearing in mind that the recovery of asset and liability Balances is deferred time and takes place on the basis of the plans to recovery Balances through charges, in accordance with IFRS 15, the Parent Company takes account of the time value of money in measuring those revenues, discounting them at the average interest rate at which it raises financial resources on the non-regulated market.

The adjustment is made to reduce the balance receivable/payable item to which it refers and to reduce revenues for the year. The portion of the interest income accrued in the period is recognised in profit or loss in subsequent years.

If the balance recovery plans are changed, the Group adjusts the value of the balance receivable/payable in order to reflect the effective and recalculated estimated cash flows. The carrying amount is therefore recalculated by computing the present value of the future cash flows recalculated by applying the original interest rate. The resulting difference, in addition to adjusting the value of the balance receivable/payable, is recognised through profit or loss under financial items. As it involves a revision of the estimates after obtaining new and more complete information, the change in balance recovery plans does not involve the adjustment of Balances for previous financial statements but it does require the prospective application of the changes.

With regard to revenue flows attributable to the regulated market, two distinct performance obligations have been identified, consisting of flight assistance services and terminal assistance services: both performance obligations are satisfied over time and satisfaction of the obligations is measured in terms of output, represented by the service units assisted. The balance, limited to the amount recognised in the year, represents the variable consideration considered in the transaction price of each performance obligation, attributable to the services provided within the route and terminal streams, making it possible measure the actual value of the performance delivered to customers. The balance also includes a significant financing component, with a time horizon of more than 12 months. For this reason, the Group adjusts the transaction price to take account of the time value of money. The receivables and payables for Balances, limited to the amounts recognised in the year, represent variable consideration, or contract assets/liabilities, which will be incorporated in charges in the future. The receivables and payables for Balances included in charges for the year represent the draw-down at the time of invoicing of the contract assets/liabilities mentioned above. These contract assets/liabilities are classified under current and non-current trade receivables/payables, and are reported separately in the explanatory notes

These methods for recognising revenues have been aligned to ensure compliance with IFRS 15, which has been in effect as from 1 January 2018. Please see the section "Impact of the adoption of the new accounting standards applicable from 1 January 2018".

Dividends

Dividends received from investments in other entities not consolidated on a full line-by-line basis are recognised through profit or loss at the time at which the unconditional right of shareholders to receive the payment, which is normally the resolution of shareholders' meeting authorising the distribution of dividends, is established.

Costs

Costs are recognise when they involve goods and services sold or consumed in the year or through systematic allocation over a longer period until no future utility can be identified.

Costs are recognised in profit or loss at the same time as the decrease in the economic benefits associated with a reduction in an asset or an increase in a liability if this decrease can be reliably calculated and measured.

Financial income and expense

Financial income and expense is recognised on an accrual basis on the basis of the interest accrued on the net value of the associated financial assets and liabilities, using the effective interest rate and, where applicable, the legal interest rate. The effective interest rate is the rate which exactly discounts estimated future payments or collections over the expected life of the financial instrument, or where appropriate a shorter period, to the net carrying amount of the asset or liability. Interest income is measured to the extent that it is likely that the economic benefits will flow to the Group and the amount can be reliably measured.

Income taxes

Current IRES (corporate income tax) and IRAP (regional business tax) taxes are calculated on the basis of the best estimate of taxable income for the year and in conformity with the tax regulations in force in the countries in which the Group conducts its activities, applying the tax rates in force. The payable for current taxes is recorded in the statement of financial position net of any pre-paid taxes.

Deferred tax assets and liabilities are calculated in respect of all temporary differences that emerge between the values recognised in the financial statements and the corresponding values calculated for tax purposes, applying the tax rate in force at the date on which the temporary difference will reverse, as determined on the basis of the tax rates set out in applicable regulations or essentially in force at the reference date. Deferred tax assets for all temporary differences that can be deducted in future years are recognised when their recovery is likely, or if it is expected that sufficient taxable income will be generated in the future to recover the assets. Deferred tax liabilities are recognised for all future taxable temporary differences unless this liability results from: i) the initial recognition of goodwill; ii) the initial recognition of an asset or a liability in a transaction that does not represent a business combination and which at the time of the transaction does not affect either the accounting profit or taxable income (tax loss).

Current taxes, deferred tax assets and deferred tax liabilities are recognised through profit or loss, with the exception of those relating to items directly debited or credited to components of other comprehensive income, which are recognised in equity. In such cases the tax effect is directly attributable to the components of other comprehensive income in equity.

Deferred tax assets and liabilities in respect of taxes levied by the same taxation authority are offset if there is a legally enforceable right to set off the current tax assets against the current tax liabilities generated at the time of their reversal.

Deferred tax assets and liabilities are classified under non-current assets and liabilities, respectively.

Taxes and duties not related to income are recognised in the income statement under other operating costs.

Related parties

Related parties are identified by the ENAV Group in accordance with IAS 24. Generally speaking, related parties refer to parties that share the same controlling entity with the Parent Company, companies that directly or indirectly exercise control, are controlled, or are subject to the joint control of the Parent Company and those in which the latter holds a stake whereby it can exercise considerable influence. The definition of related parties also includes those entities that manage post-pension benefit plans for employees of the Parent Company or related companies, as well as directors and their immediate family, standing members of the Board of Auditors and their immediate family, key management personnel and their immediate family, of the Parent Company and companies controlled directly or indirectly by the latter.

Related parties within the ENAV Group refer to entities controlled by the Parent Company and by Group companies or which are associated with the entity preparing the financial statements. Related parties outside of the ENAV Group include the supervising Ministry, namely the Ministry of Infrastructure and Transport (MIT), and the controlling Ministry, namely the Ministry for the Economy and Finance (MEF), entities under the control, including joint control, of the MEF and associated companies. Related parties also include the Group's key management personnel and pension funds (Prevaer).

For a detailed analysis of related-party transactions, please see to Note 33 of the consolidated financial statements.

Operating segments

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

For management purposes, the ENAV Group is organised in strategic units identified on the basis of the nature of the services provided and, for the purpose of financial reporting, has two operating segments (air navigation services and maintenance services) coinciding with the cash generating units (CGU). A third operating segment of a residual nature is also present, which includes operations connected with minor activities that do not fall within the scope the two main operating segments subject to monitoring.

The information for the operating segments for 2018, with the comparative figures for 2017, is provided in Note 32 "Operating segments".

Basic and diluted earnings/(losses) per share

In accordance with IAS 33, basic earnings per share are calculated as the ratio between the profit or loss attributable to the owners of the ordinary equity instruments of the Parent Company and the weighted average number of outstanding ordinary shares during the year.

The basic earnings coincide with diluted earnings in view of the fact that as of the date the financial statements are prepared there are no potential ordinary shares, i.e. instruments that have not yet given rise to the issue of shares with potential dilutive effects despite the existence of the legal conditions for doing so.

5. Use of estimates and management judgements

In accordance with the IAS/IFRS, the preparation of the consolidated financial statement requires management to make accounting estimates based on complex and/or subjective judgements, evaluations, estimates based on historic experience and assumptions considered to be reasonable and realistic in view of the related circumstances and on the information available at the time of the estimate. The application of these estimates and assumptions influences the carrying amount of assets and liabilities and the disclosures on contingent assets and liabilities at the date of the financial statements, as well as the amount of revenues and costs in the reference period. Actual results could differ from estimated results as a result of the uncertainty in the assumptions and conditions on which the estimates are based. The estimates and assumptions are reviewed periodically and the effects of each change are reflected in the accounts in the period in which the review of the estimate takes place, if the revision only affects the current period, or also in subsequent periods if the revision affects the current period and future periods.

In the case of future changes in estimation processes, disclosures will be provided about the methodological changes with effect from the year in which that change could have an impact in the presence of certain additional elements and/or factors. Such changes in the conditions underlying the assumptions and judgements could have a significant impact on the consolidated figures.

In order to enhance understanding of the financial statements, the main financial statement items or accounting circumstances which could significantly affected by management judgements are reported below, highlighting the main assumptions adopted in the evaluation process, in compliance with international accounting standards.

Measurement of revenues for balances

As discussed in the Accounting Standards section, the measurement of operating revenues adjusted by Balances, which measure services already performed by the Parent Company, requires management to use estimates and make judgements. These estimates and judgements regard forecasts of the time needed to recover amounts connected with Balances in the years following that in which they accrue, as well as the choice of the discount rate to be used. In particular, with regard to the measurement of the fair value of the adjustment for Balances, the Company’s management forecasts the time needed to recover the amounts through the future charging plans: if the forecasts change, the values attributed to receivables and payables for balances will change to reflect the new forecasts for the related cash flows.

Fair value measurement of equity instruments

At each balance sheet date, the Group updates the fair value of the equity instruments for which it has made an irrevocable election to recognised the related adjustments into a specific equity reserve. With reference to the fair value measurement of the investment in Aireon LLC, the analysis conducted by management requires the assessment of a series of internal and external inputs such as: a review of the annual budget, an examination of the long-term financial plan and an analysis of the main market indicators. The evaluation requires extensive use of significant estimates and assumptions by management. In particular, the estimate of the fair value of Aireon was performed on the basis of the results of the 2019-2033 financial plan (the "Plan"), approved on 4 December 2018. More specifically, the valuation model is based on the following main assumptions:

- the equity value, determined from the equity-side perspective on the basis of the distributable dividends drawn from that Plan. These dividends were determined on the basis of the explicit valuation period, beyond which it was assumed that the Company will generate a sustainable cash flow at a nominal average growth rate (g-rate) in the long term (terminal value);
- the discount rate used is the cost of capital (Ke) of 15.59%, calculated using the Capital Asset Pricing Model (CAPM) method.

Note 9 *Investments in other entities*, provides additional information on the impact of the assessments performed by the ENAV Group.

Impairment of assets and cash generating units

An asset is impaired if the carrying amount of the asset or a cash generating unit (CGU) is greater than its recoverable value (equal to the greater of the fair value of an asset or cash generating unit less costs to sell and its value in use). A CGU is the smallest group of assets that generates largely independent cash flows. In the process of identifying the CGUs, management has taken into account the specific nature of the activity and the business it belongs to (business areas, legislative framework, etc.), verifying that the inward cash flows from a group of assets are largely independent of those from other assets (or groups of assets). Additionally, the assets included in each CGU were also identified on the basis of the methods through which management monitors and manages them within the scope of its business model.

The number and scope of CGUs is systematically monitored to take account of any external factors that could influence the capacity of groups of corporate assets to generate independent cash flows or in order to allocate the effects of any new business combination or reorganisation operation carried out by the Group.

Based on the current structure of the Group, management has identified two cash generating units (CGUs).

- Air navigation services: this CGU coincides with ENAV, the Parent Company, whose core business is providing air traffic control and management services and other essential air navigation services in Italian airspace and at the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and upgrading the technology infrastructure of air navigation systems;
- Maintenance services: this CGU 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.

Management conducted an impairment test of the goodwill resulting from a business combination: this goodwill has been allocated entirely to the Maintenance Services CGU, coinciding with the legal entity Techno Sky S.r.l.

Performing the impairment test required management to make significant estimates. Any changes in the assumptions and inputs used could result in significant changes regarding the recoverable value of the CGU. The discounted cash flows refer to a time horizon of 4 years (2019 - 2022) and are taken from the financial plan (2018-2022) approved by the Techno Sky Board of Directors on 2 March 2018, also taking into account the budget for 2019, approved by the Techno Sky Board of Directors on 7 December 2018. For the explicit forecast period, these flows are formulated on the basis of hypothetical assumptions and associated with the expectations for the development of the business, while the years following the explicit period use assumptions about long-term sustainable profitability to enable operational continuity (growth rates and other factors linked to macroeconomic dynamics). The assumptions adopted by management for the estimation of “normalised” net operating cash flow are the following:

- definition of NOPAT (Net Operating Profit After Taxes) on the basis of the average for the four-year explicit forecast period (2019-2022);
- depreciation is aligned with investments to maintain the fixed capital;
- working capital with balance of zero;
- the growth rate of operating cash flows after the explicit period in perpetuity, used to determine the residual value (g rate), has been estimated at 1% in line with the revision of the growth forecasts for Italy.

In particular, the estimate of the growth rate (g rate) is influenced by the judgements and assumptions made by management, which consider internal and external information inputs, the latter being characterised by a degree of uncertainty, for example: examination of the annual budget, examination of the long-term financial plan and analysis of the main market indicators.

In determining the value in use, the expected future cash flows are discounted using a discount rate, the estimation of which is affected by the judgements and assumptions made by management, and which reflects current market assessments of the time value of money and the specific risks of operations. In particular, the discount rate was constructed according to the main following assumptions: the free risk, the country risk premium and the market risk premium were determined on the basis of data observable on the market, the beta was based on an estimate determined on the basis of a sample of comparable companies and, given the characteristics of Techno Sky, a full-equity financial structure was assumed.

See Note 8 *Intangible assets* for information on the results of impairment testing.

Determining useful life

The depreciation and amortisation of property, plant and equipment and intangible assets is recognised on a straight-line basis over the estimated useful life of each asset. The useful life is calculated at the time the assets are acquired and is based on historical experience with similar investments, market conditions and forecasts involving future events that could have an impact on the useful life. Actual economic life may therefore differ from the estimated useful life. The Group evaluates technological changes annually in order to update the residual useful life. This updating could involve a change in the depreciation/amortisation period and therefore also the depreciation/amortisation charge for the year and future years.

Risk provisions

The Group recognises provisions for probable liabilities attributable to disputes and litigation with personnel, suppliers, third-parties and, in general, other charges in respect of obligations undertaken. The calculation of the risk provisions involve making estimates based on the current knowledge of factors that could change over time, potentially leading to final outcomes that could differ significantly from those taken into consideration in the preparation of the consolidated financial statements.

Provision for doubtful accounts and provision for inventory losses

The provisions for doubtful accounts for inventory losses respectively reflect the estimates of losses on Group receivables in accordance with the expected credit loss (ECL) model introduced with IFRS 9 and the estimate for spare parts that have become obsolete and can no longer be used. With regard to the ECL model, the Group used a combination of internal and external inputs basis on historical analyses adjusted appropriately for forward-looking elements. Although the provisions are considered appropriate, the use of different assumptions or changes in economic conditions could be reflected in changes and, therefore, have an impact on profits.

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

The accounting standards adopted in the preparation of the consolidated financial statements at 31 December 2018 are in consistent with those used for the preparation of the consolidated financial statements at 31 December 2017, with the exception of the adoption of the new IFRS 15 and IFRS 9, whose amendments and interpretations are effective as from 1 January 2018. A number of other amendments and interpretations were applied for the first time in 2018, but did not have an impact on the consolidated financial statements.

Impact of the adoption of new accounting standards applicable from 1 January 2018

The effects associated with the first-time adoption of the new accounting standards IFRS 15 and IFRS 9, applicable from 1 January 2018, on the Group's consolidated financial statements are discussed below.

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 model for calculating revenues in five distinct steps. IFRS 15 provides for the measurement of revenues in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to customers.

The Group has adopted IFRS 15 using the modified retrospective method without restating the comparative information for the previous year, allocating the economic effects attributable to the financial year ending 31 December 2017 to opening shareholders' equity as at 1 January 2018. The Group also applied the standard retrospectively only to contracts that had not been concluded at the initial application date.

The impact on shareholders' equity resulting from the adoption of IFRS 15, including the recognition of deferred tax liabilities, amounted to €3,000 associated with progress in an aeronautical consulting contract for which revenues are recognised over time, from which contract assets emerged at 1 January 2018. With regard to the other cash generating units, no differences from first-time adoption emerged, as the Group already measured revenues in a manner consistent with the satisfaction of performance obligations.

The effects attributable to the adoption of the new standard in 2018 can be summarised as follows: i) two distinct performance obligations satisfied over time were identified for the regulated market, regarding the provision of air traffic control services for both the en-route and terminal components. For these services the Group adopted the output valuation method, using measurements tied to the en-route and terminal service units. Under this method, revenues are measured on the basis of the services transferred to the customer compared with the services promised in the agreement which have not yet been rendered, including the adjustment for revenues resulting from the balance mechanism, which makes it possible to measure the effective value of the performance rendered to the customer. The balance also includes a significant financing component, as it has a time horizon of more than 12 months. The Group also adjusted the price of the transaction to take account of the time value of the money. The adoption of IFRS 15 did not cause changes to the amount of revenues that would have been recognised under the previously applicable standard for 2018; ii) in non-regulated markets, the Group mainly provides training, flight inspection and aeronautical consulting services and a marginal volume of other infrastructure construction services through its Techno Sky subsidiary. In general, aeronautical consulting, maintenance and certain training services contracts often contain performance obligations to be satisfied over time, while the remaining types of contract generally have performance obligations satisfied at a point in time. The application of the new standard had a minimal impact.

At 31 December 2018, the impact of the adoption of IFRS 15 produced only a small change compared with the revenues and contract assets that the Group would have recognised in accordance with the previously applicable standards. For this reason, the disclosure provided for in paragraph C8 of IFRS 15 is not provided. Following the adoption of the new standard, all operating revenues are "Revenues from contracts with customers". For that reason, the financial statements report the sub-total "Revenues from contracts with customers" and the sum of "Revenues" and "Balance", which together are a metric of the performance provided to customers.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for accounting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group adopted IFRS 9, charging the financial effects attributable to the year ending at 31 December 2017 to opening shareholders' equity at 1 January 2018, without restatement of the comparative figures, making use of the simplifications granted for first-time adoption of the standard. For a detailed description of the IFRS 9 cases, which have been analysed with regard to the specific nature of the regulated and non-regulated businesses of the Group, please see the section "Impact of the adoption of new accounting standards" in the notes to the consolidated financial statements at 31 December 2017. The financial impact, including the recognition of deferred tax assets, of the adoption of IFRS 9 in connection with the new methods for reporting impairment amounted to €344,000.

The effects of the adoption of IFRS 9 on performance and the financial position at 31 December 2018 are discussed below:

- *Impairment of financial assets*: Following the gap analysis, the Group recognised the effects of the application of the new accounting model in an equity reserve at 1 January 2018, based on the information available on that date, primarily regarding the revenue stream from the regulated market.

  At 31 December 2018 the Group adopted the simplified method for the portfolio of trade receivables and contract assets, while it carried out an analytical assessment of counterparties for the remaining assets.

  Specifically, the trade receivables portfolio was divided into uniform groups, i.e. regulated and non-regulated markets. In particular: i) for the *regulated market*, a detailed analysis of the portfolio broken down by clusters of past due positions was conducted, based on a refinement of the analysis of historical trends, with the support of an initial assessment provided by Eurocontrol at 31 December 2018 consistent with the new standard. Following the analysis, the Group refined its estimate of the expected loss percentages to be applied to the past due clusters. The percentage writedowns were increased compared with the analysis conducted at first-time adoption, in consideration of the greater information subsequently available. The clusters most affected by the review of the estimates were en-route and terminal receivables past due by more than 365 days, positions that were written off even for active carriers that had not terminated operations; ii) for the *non-regulated market*, the general impairment model was used, with individual assessments for a portion of the portfolio. Receivables in respect of bankrupt or defunct customers were written off, regardless of which past due clusters they were it, while performing positions were inserted in a provision matrix with percentages supported by historical data adjusted to take account of forward-looking items. Compared with first-time adoption, the Group refined its estimation techniques, writing off certain non-performing positions on the basis of other specific evidence regardless of their position in the provision matrix.

The new impairment model introduced with IFRS 9 had a limited impacts at 31 December 2018 as well. The difference between the two accounting methods is mainly associated with the consideration under the IFRS 9 model of the not-past-due/past-due portfolio for relatively recent clusters, for which no provisions would have been recognised under IAS 39. In percentage terms, the impact of the adoption of the ECL model is equal to about 7% of the total provision as at 31 December 2018.

- *Equity instruments*: at first-time adoption, the Group made the irrevocable decision to recognise changes in the fair value of the investment in Aireon LLC in an equity reserve that will not be reclassified to profit or loss. At 1 January 2018, cost represented the best approximation of fair value, taking due account of the pre-operational status of the company and the absence of observable market prices for the investment. At 31 December 2018, the fair value of the investment was estimated at $68.9 million and the Group adjusted the equity investment in OCI. For more details on the assumptions adopted in the determination of the fair value of Aireon LLC at 31 December 2018, please see Note 5 Use of estimates and management judgements and Note 9 Investments in other entities.

Summary of the impact at 1 January 2018

The following table reports changes in the reclassified consolidated statement of financial position at 1 January 2018 associated with the application of the new IFRS 9 and IFRS 15:

	31.12.2017	IFRS 9	IFRS 15	01.01.2018
Net non-current assets	**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 and liabilities held for sale	(133,940)	0	0	(133,940)
Net working capital	**82,002**	**(453)**	**4**	**81,553**
Gross capital employed	**1,281,281**	**(453)**	**4**	**1,280,832**
Employee benefit provisions and provisions for risks and charges	(65,115)	0	0	(65,115)
Deferred tax assets/(liabilities)	21,281	109	(1)	21,389
Net capital employed	**1,237,447**	**(344)**	**3**	**1,237,106**
Shareholders' equity	1,119,965	(344)	3	1,119,624
Net financial debt	117,482	0	0	117,482
Funding of net capital employed	**1,237,447**	**(344)**	**3**	**1,237,106**

(thousands of euros)

The overall impact on the shareholders' equity of the ENAV Group of the adoption of the new standards was a negative €341 thousand net of the recognition of deferred tax assets in application of IFRS 9 and deferred tax liabilities from the adoption of IFRS 15.

New accounting standards, amendments and interpretations that did not have an impact on the Group's consolidated financial statements

The following is a list of the new accounting standards, amendments and interpretations applicable to the Group as from 1 January 2018 with no impact on the consolidated financial statements as at 31 December 2018:

- *IFRIC 22 Foreign currency transactions and advance consideration* – issued on 8 December 2016. The interpretation applies to transactions in foreign currency if a company recognises 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 methods for identifying the date of the foreign currency transaction in order to calculate the 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, in the application of paragraphs 21-22 of IAS 21, the date to use for the calculation of the exchange rate at the initial recognition of the asset, cost or income is the date on which the company recognised the non-monetary asset/liability associated with the advance. In the presence of multiple advance payments the company shall determine a date for each payment or receipt of advance consideration.
- *Annual improvements to IFRS standards 2014-2016 cycle* – issued on 8 December 2016. The document contains formal amendments and clarifications of existing standards. More specifically, several amendments were introduced to the following standards:

- *IFRS 1 – First-time adoption*: changes were made to the application date of a number of standards applicable to cases of early adoption of IFRS;
- *IAS 28 - Investments in associates and joint ventures*: an exemption to the application of the equity method was introduced if an equity investment in an associate or a joint venture is held directly or indirectly by an entity that is either a venture capital organisation, or a mutual fund, unit trust and similar entities. In such cases, the entity can elect the measures these investments at fair value through profit or loss in compliance with IFRS 9. Additionally, if an entity that is not itself an investment entity has an equity investment in an associate or joint venture that is an investment entity, when applying the equity method it can elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

- *Amendments to IFRS 2: Classification and measurement of share-based transactions* – issued on 20 June 2016 and endorsed on 26 February 2018. Specifically, clarifications were introduced for the treatment of vesting conditions and cash-settled share-based payments. The latter are subject to vesting conditions connected with achievement of growth targets and increases in the share price. Specifically, vesting conditions, other than market conditions, shall not be taken into consideration when estimating the fair value at the measurement date. Instead, vesting conditions, other than market conditions, shall be taken into account by adjusting the number of awards included in the measurement of the liability. In addition the entity shall recognise the cost in proportion to the vesting period based on the best estimate of the number of awards estimated at the measurement date. The estimate may also be revised in subsequent years if additional information indicates a different number of awards. Market conditions shall be taken into account when estimating the fair value of cash-settled share-based payments and when remeasuring the fair value at the end of each reporting period and at the date of settlement. The cumulative amount recognised for services received is equal to the cash paid. Recently the new standard introduced a number of sections governing cases of share-based transactions that involve the application of withholding tax by the employer and payment to the tax authorities in the name of and on behalf of employees, which also requires supplemental disclosure.

New accounting standards, interpretations and amendments taking effect for periods after 31 December 2018 and not adopted early by the Group.

The following is a list of new accounting standards, amendments and interpretations that will be applied by the Group in annual accounting periods after 31 December 2018:

- *IFRIC 23 Uncertainty over income tax treatments* – issued on 7 June 2017. The interpretation clarifies the application issues 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. In particular:

- a company shall decide whether to consider each uncertain tax position separately or jointly with others based on which approach better predicts the resolution of the uncertainty, bearing in mind how it prepares its tax filings and how it expects tax authorities to make their examination;
- a company shall assume that the tax authorities will examine the documents and have all the necessary information relating to the uncertainty of treatment and its resolution;
- a company shall evaluate the probability that the tax authorities will accept the proposed uncertain tax treatment. If the probability of the tax authorities accepting it is high, then the company shall calculate the taxes in line with the planned tax treatment. If the probability of them accepting is low, then the company shall reflect the uncertainty in the tax estimate using one of the following methods: i) most likely amount; or ii) expected value. If the uncertain tax treatment impacts current and deferred taxes, the company should make the best estimate for the purpose of both current and deferred tax;
- at every closing, the company shall evaluate whether the facts and circumstances on which it based its judgement have changed over the course of time since inception. In the case of changes in facts and circumstances, IAS 8 shall apply. In addition, a company shall apply IAS 10 to determine whether a change that occurs after the reporting date and before approval date of the financial statements is an adjusting or non-adjusting event.

The interpretation, which was endorsed on 23 October 2018, shall apply for all annual accounting periods beginning on or after 1 January 2019. Early adoption is permitted. The Group will assess the application of this interpretation.

- *Amendments to IAS 28: Investments in associates and joint ventures* – issued on 12 October 2017 and endorsed on 11 February 2019, is applicable as from 1 January 2019. The amendment clarifies that an entity shall apply IFRS 9, rather than the provisions of IAS 28, to interests held in an associate or joint venture not accounted for using the equity method (long-term interest).
  The Group will assess the application of this interpretation
- *Amendments to IAS 19: Plan amendment, curtailment or settlement* – issued on 7 February 2018, applicable, after endorsement, from 1 January 2019. The amendment of IAS 19 addresses the accounting treatment of an amendment, curtailment or settlement an employee benefit plan during a reporting period. The amendments to IAS 19 require entities to use updated actuarial assumptions in calculating the service cost and net interest for reporting periods after the above changes. Conversely, the amendment change to the standard does not address accounting for significant market fluctuations if there are no changes to a plan. The Group will assess whether the amendments will have an impact.
- *Annual improvements to IFRS standards 2015-2017 cycle* – issued on 12 December 2017. The document contains formal changes and clarifications of existing standards. More specifically, the following standards have been amended:

- *IFRS 3 – Business combinations and IFRS 11 – Joint arrangements: previously held interest in a joint operation:* the amendments clarify that a transaction to obtain 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, including remeasuring the previously held interest in the joint operation. The amendments to IFRS 11 clarify that a purchaser should not remeasure its previously held interests in 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 amendments clarify 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 amendments clarify that an entity should treat with each loan obtained for a specific qualifying asset in the same way as funds not obtained for a specific asset when that qualifying asset is ready for its intended use or sale.

  The Group is evaluating any impacts associated with the future application of the cycle of updates. The amendments will be applicable, following endorsement, from the years after 1 January 2019.

- *IFRS 9 Prepayment features with negative compensation* – issued on 12 October 2017. The aim of amendments is to address the issue of the classification of particular categories of financial assets with prepayment features. These amendments govern the situation in which the party exercising the prepayment option for a financial asset could receive compensation from the other party. This case is known as negative compensation. Under such an agreement, a lender could be forced to accept a pre-payment that is substantially smaller than the amount of uncollected principal and interest. The financial asset in question should be measured at amortised cost or at fair value through OCI depending on the business model used.

  The Group will evaluate any impacts associated with the amendments of IFRS 9, which were endorsed on 22 March 2018, as 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 disclosure of leases for both parties to a contract, i.e. the lessee and the lessor. Although maintaining the definition of lease already set out in IAS 17, the main change introduced with IFRS 16 consists of the introduction of the concept of control within the scope of the definition. Specifically, IFRS 16 requires an evaluation of whether or not the lessee has the right to direct the use of an asset for a given period of time. IFRS 16 eliminates the classification between operating and finance leases for lessees and introduces a single method for recognising all leases. The standard will be applicable for annual reporting periods beginning on or after 1 January 2019. Please see the section "Impact of the future application of IFRS 16" for more information on the expected impact at 1 January 2019 upon first-time adoption.

- *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 amend existing standards and interpretations, but rather introduce cross-cutting definitions to various standards, guidance and parameters with regard to the concepts of measurement, presentation and disclosure and 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 for IFRS adopters will be clarified, with special reference to the concepts of prudence, stewardship, measurement uncertainty, and substance over form.
- *Amendment to IFRS 3 Business combinations* – issued on 22 October 2018, endorsement advice pending. The amendments to the standard will mainly regard the definition of business, in order to support entities in identifying the demarcation line between business combination and acquisition of a group of assets. More specifically, the amendments: a) clarify that a business must include at least an input and a substantive process that together significantly contribute to the ability to create outputs; b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments to IFRS 3 have been prompted by the commitment to achieve a desirable convergence between FASB and IASB and to make financial disclosures prepared with the different reporting flows comparable.

  The amendments will take effect, subject to endorsement, as from 1 January 2020 and early adoption is permitted.

- *Amendment to IAS 1 and IAS 8: Definition of material* – issued on 31 October 2018 with the EFRAG endorsement advice expected to be issued in the first quarter of 2019. The amendments to the standards regard a new definition of materiality, under which information is material if omitting, misstating or obscuring it could reasonably be expected to influence the financial decisions that stakeholders on the basis of that information. The concept of materiality depends on both the nature and magnitude of the information.

  The amendments will take effect, subject to endorsement, as from 1 January 2020 and early adoption is permitted.

Impact of the future application of IFRS 16

In the general definitions, the standard defines "lease" as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. The central elements in the definition of lease of the new standard are the concepts of control, i.e. the ability to direct the use of the leased asset and obtain benefits from that use, and of the identifiability of the asset (the asset cannot be considered identified if the supplier has the substantive right to substitute the asset over the period of use). For this reason, in lease agreements the satisfaction of the above requirements is essential to identifying the person who effectively receives the rental service as the person who controls the use of the asset.
ESMA, as part of its Enforcement Priorities 2018, in addition to reaffirming the treatment of certain issues related to IFRS 15 and 9, requires appropriate disclosure of the impact of implementation of IFRS 16, given the extent of the expected impacts on many alternative performance measures (EBITDA, EBIT, NFP).
During the 2018 financial year, the Group organised working groups in order to analyse and evaluate the expected impact of IFRS 16 at the time of first application, i.e. 1 January 2019.
After analysing the changes introduced by IFRS 16 and applying the practical expedient for leases of low-value assets and leases with a term of 12 months or less, the scope of the IFRS 16 analysis was limited to the following types of contract: long-term rentals/leases of buildings and secondary and/or strategic sites, long-term rentals of motor vehicles for managers, personal-use vehicles operating at airport sites and those used by managers of certain sites under long-term rental contracts and other minor contracts. In defining the contractual term of its agreements, the Group has only considered the non-cancellable period of the lease, not considering any extensions or any tacit or explicit renewals, in the absence of reasonable certainty that the renewal would be exercised. In assessing the expected impact at first-time adoption, the Group used the average borrowing rate at 31 December 2018, in the absence of implicit interest rates in the types of lease involved.
Furthermore, for the car rental agreements referred to above, only the pure lease components have been factored into determining the right of use, while non-lease components (such as maintenance services) have not been considered as they will continue to be charged to profit or loss.
The Group intends to apply the new standard retrospectively, accounting for the cumulative effect of the initial application of the standard at the date of initial application in accordance with paragraphs C7-C13, without restating the comparative information for 2018.

As a result of the analysis, the expected impacts at 1 January 2019 at the Group level are shown below:

- recognition of rights of use under non-current assets of about €10.06 million;
- recognition of lease liabilities of about €10.17 million;

- negative impact on the reserve for the adoption of new standards of about €0.11 million deriving from the effects of the initial amortisation of the right of use, in which the sum of the amortisation charge and financial expense is typically higher than the lease instalments recognised in the income statement in 2018 in application of the old IAS 17 for operating leases.

7. Property, plant and equipment

The table below shows changes in property, plant and equipment at 31 December 2018 compared with the previous year.

(thousands of euros)	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
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 book value at 31.12.2017	**288,110**	**438,240**	**55,973**	**27,755**	**217,438**	**1,027,516**
Increases	33,197	90,007	4,580	3,199	110,258	241,241
Disposals - cost	(8,396)	(4,047)	(4,691)	(5,364)	0	(22,498)
Disposals - accumulated depreciation	4,413	4,034	4,681	5,337	0	18,465
Reclassification	0	(246)	(1,794)	0	(132,520)	(134,560)
Impairment losses	(57)	0	(64)	0	(699)	(820)
Depreciation	(19,287)	(91,168)	(11,856)	(6,970)	0	(129,281)
Total changes	**9,870**	**(1,420)**	**(9,144)**	**(3,798)**	**(22,961)**	**(27,453)**
Cost	517,234	1,891,407	310,168	314,139	194,477	3,227,425
Accumulated depreciation	(219,254)	(1,454,587)	(263,339)	(290,182)	0	(2,227,362)
Net book value at 31.12.2018	**297,980**	**436,820**	**46,829**	**23,957**	**194,477**	**1,000,063**

There was a net decrease in property, plant and equipment in the year of €27,453 thousand as a result of the following events:

- depreciation for the year of €129,281 thousand (€132,901 thousand in 2017);
- increases in property, plant and equipment totalling €241,241 thousand, of which €130,983 thousand relating to investments that entered service during the year. These include: i) the data link 2000 system for the transmission of ground/air/ground data between pilots and air traffic controllers, which replaces voice communications with text messages via data link through the CPDLC (Controller Pilot Data Link Communications) application for flights operating in Italian airspace above 28,500 feet (8,700 meters), both in overflight and departure and/or arrival at a national airport. This system is installed at the four Italian Area Control Centres (ACC); ii) the completion of the new building for the Forlì training academy as a new integrated technology hub to replace the previous building, which was sold in June 2018; iii) completion of the Rome Ciampino service centre of the Parent Company, for use as a conference centre; iv) the integration of the ERATO system (En-Route Air Traffic Organiser), which supports controllers in air traffic management, identifying potential conflicts and highlighting the elements to be assessed for their solution; v) the V3R1 version of the Coflight programme, the new generation flight data processing system, which supports controllers in calculating the expected flight path and is installed in the systems room at the Rome Ciampino ACC site and is used in the validation exercises of the SESAR programme; vi) the TBT radio centre (ground-air-ground) for a number of remote sites of the Rome Ciampino ACC; vii) the upgrade of meteorological systems to the ICAO 74

amendment at various airport sites; viii) the restructuring of the tower and the technical area of the Reggio Calabria airport and the Rimini airport; ix) the centralised ARO Central Briefing Office at Linate airport and at the Rome Ciampino ACC; x) evolutionary maintenance on various systems. Increases of €110,258 thousand refer to progress on assets under construction as part of investment projects, including: i) the 4-Flight programme, whose objective is to develop the entire Air Traffic Management (ATM) technology platform of the ACCs based on SESAR operational concepts and taking the Coflight system as a basic component. With reference to the new generation flight data processing system called Coflight, which supports controllers in calculating the expected flight path, created in collaboration between the Parent Company and the French provider DSNA, the development of the V3R2 version and the V3R3 version that will be integrated into the 4-Flight programme was begun; ii) the automation programme for the operation of control towers towards full electronic management at six airports in the process of implementation at the Milan Malpensa airport tower; iii) an airport tracker radar data fusion system for the airports of Milan Linate and Milan Malpensa; iv) the construction of the technical area of the Genoa airport; v) the modernization and upgrading of airport sound recording systems; vi) new surface movement radar for the Rome Fiumicino and Milan Malpensa airports; vii) the power station at the Catania airport.

- decreases due to disposals amounting to a net €4,033 thousand, including €3,745 thousand for the sale of the academy building complex in Forlì to Alma Mater Studiorum - University of Bologna in June, for a total price of €4.5 million, with the recognition of a capital gain of €755 thousand. The remainder regarded the retirement of assets no longer considered usable, which generated a capital loss of €288 thousand;
- the decreases due to reclassifications totalling €134,560 thousand, mainly regarding investment projects that were completed and entered service during the year, with classification to a specific account, amounting to €130,983 thousand, as well as €448 thousand for the reclassification of certain components of operating systems in inventories for replacement parts, in which €1,550 thousand of assets classified under intangible assets under development, not immediately usable, were reclassified, after having zeroed their value through use of the provision for risks recognised in previous years;
- writedowns of property, plant and equipment amounting to €820 thousand in respect of certain assets that are no longer considered usable.

Note that part of the investments, with a historical cost of €259,695 thousand, are financed by capital grants disbursed under the National Operational Programme (NOP) for Transport for the years 2000-2006 and 2007-2013 and 2014-2020 for initiatives at southern airports, grants from the Ministry of Infrastructure and Transport for investments in military airports, in accordance with Law 102/09 and projects financed at the European level. The capital grants for these investments are accounted for as other liabilities and reversed to profit or loss in line with the depreciation of the investments to which they refer. The amount attributable to the year came to €9,098 thousand.

8. Intangible assets

The table below shows changes in intangible assets at 31 December 2018 compared with the previous year.

(thousands of euros)	**Industrial patent and intellectual property rights**	**Other intangible assets**	**Assets under development**	**Goodwill**	**Total**
Cost	138,310	2,085	43,150	66,486	250,031
Accumulated amortisation	(123,533)	(2,085)	0	0	(125,618)
Net book value at 31.12.2017	**14,777**	**0**	**43,150**	**66,486**	**124,413**
Increases	9,520	0	6,718	0	16,238
Disposals	0	0	0	0	0
Reclassification	0	0	(9,734)	0	(9,734)
Impairment losses	0	0	0	0	0
Amortisation	(8,549)	0	0	0	(8,549)
Total changes	**971**	**0**	**(3,016)**	**0**	**(2,045)**
Cost	147,830	2,085	40,134	66,486	256,535
Accumulated amortisation	(132,082)	(2,085)	0	0	(134,167)
Net book value at 31.12.2018	**15,748**	**0**	**40,134**	**66,486**	**122,368**

Intangible assets totalled €122,368 thousand, a net decrease of €2,045 thousand, reflecting the following changes:

- amortisation for the year of €8,549 thousand (€7,159 thousand in 2017);
- increases in intangible assets totalling €16,238 thousand, including €9,520 thousand in respect of investment projects completed and entering service during the year, including the upgrade of the ERP Oracle management system to release 12, software and licenses for management systems, also reflecting compliance with new regulations, and operational systems, as well as the implementation of the Group web platform. The increase also included €6,718 thousand from investment projects in progress including: i) the activities relating to the ERP Oracle management system with a view to implementing the system within the ENAV Group; and ii) various systems supporting SESAR operational activities;
- decreases in intangible assets of €9,734 thousand and include €9,520 thousand for investment projects completed and entering service that were classified to a specific account and €214 thousand from the reclassification of assets under property, plant and equipment.

Goodwill is equal to the positive difference between the acquisition value of the subsidiary Techno Sky S.r.l. and its net assets at fair value, and is representative of future economic benefits. This value, amounting to €66,486 thousand, is allocated to the Maintenance Services CGU, coinciding with the legal entity Techno Sky S.r.l.. At 31 December 2018, in application of methodology in IAS 36 Impairment of assets, the goodwill was underwent impairment testing, carried out by comparing the recoverable value of the CGU with the carrying amount of the net assets of that unit, consistent with the provisions of IAS 36. In determining recoverable value, reference was made to value in use. The discount rate used is a WACC of 10.06% with a growth rate of operating cash flows in nominal terms, after the forecast for the explicit period, equal to 1%, consistent with the current macroeconomic outlook (euro-area inflation).

Management decided that the estimation of recoverable value would use the value in use estimated on the basis of the cash flows drawn from the 2018-2022 financial plan prepared by the subsidiary, taking account of the budget approved by Techno Sky's management on 7 December 2018 for 2019, without any further normalisation of the levels of expected margins.

As regards the revenue portion of the 2018 plan, Techno Sky management assessed the three underlying components: revenues from ENAV for all maintenance and technical management services on the plant and systems present at the local and central offices of ENAV, which take account of the effects of the renewal of the contract that expired on 31 December 2018, which will govern services for the 2019-2022 period; revenues from ENAV for development activities; and contracts from third parties. The plan recorded moderate overall growth over the reference period (a CAGR of 1.6%) due to a general increase in the activities to be carried out in respect of the Parent Company. The share of revenues from ENAV for development activities shows a decrease that is essentially attributable to a decline in planned maintenance activities, in accordance with the Parent Company's Technology unit and with the purchasing plan. On the non-regulated market, after having registered positive performance, the company expects to expand its commercial activity, including with the acquisition of new orders outside the European Union. Operating costs were expected to increase compared with those recorded in 2018, mainly due to the adjustment of personnel costs due to the harmonization of Techno Sky's collective bargaining agreement. The assumptions on which the company based the preparation of the financial plan are founded on an understanding of the reference market, the information received from the Group's Business Development unit and objective data concerning the continuation of the company's core business.

The test found that the recoverable value is greater than the carrying amount of the CGU and, consequently, no impairment was recognised. The recoverable value for the purposes of the impairment test showed headroom over the corresponding carrying amount of about €15.6 million.

For the purposes of the sensitivity analysis, an increase in the WACC of 0.3% was assumed while maintaining the growth rate at 1.0%, the recoverable value continued to exceed the carrying amount of the net assets of the CGU by €11.4 million. Assuming an increase in the WACC of 0.3% and a zero growth rate, the recoverable value would still exceed the carrying amount of the CGU's net assets by €3 million.

No other plausible changes in the key impairment parameters have been found that could eliminate the positive difference between the value in use and the carrying amount of the CGU's assets.

9. Investments in other entities

At 31 December 2018, investments in other entities amounted to €60,306 thousand (€51,217 thousand at 31 December 2017), an increase of €9,089 thousand compared with the previous year associated entirely with the investment in Aireon LLC. This increase, of €6.7 million, reflects the adjustment of the investment to fair value, in accordance with the provisions of IFRS 9, recognised in an equity reserve in the amount of €5.3 million net of deferred taxation effects, and €2.4 million for the adjustment of the investment at the year-end exchange rate. The investment in Aireon is therefore carried at €60.1 million, corresponding to about $68.9 million, with the Group holding a stake of 9.1% (10.7% at 31 December 2017), which will rise to 11.1% following execution of the redemption clause (12.5% at 31 December 2017). The change in the holding reflects the dilutive effect of the entry of the British service provider NATS as a shareholder in May 2018 at a price of $68.7 million. The Group's interest is equivalent to that of NATS.

The fair value was measured using the valuation techniques provided for in IFRS 13, under which the calculation of fair value should maximize the use of observable data and minimize unobservable data in order to estimate the price at which it would be sold in an orderly transaction to transfer the equity instrument would take place between market participants at the measurement date. With a non-active market, the inputs used are consistent with Level 3 of the fair value hierarchy. In any case, the Group supports the estimate in view of the recent acquisition of the investee's equity by NATS, information that is strongly indicative of the fair value attributable to the investment.

The estimation of the fair value was based on information in the 2019-2033 financial plan ("Plan"): the time horizon over which the cash flows were projected takes account of the start-up phase of the company and is consistent with the useful life of the technology assets - the satellite constellation – underpinning the development of the business and estimated by the management of Aireon. In addition, the last satellite launch was carried out on January 2019 and, although still in the pre-operational phase, Aireon LLC has acquired a portfolio of contracts with a number of ANSPs.

The Plan envisages a financial structure with a broadly unchanged level of debt over the entire time horizon to fund the distribution of dividends to shareholders and investments in the creation of the second constellation during the last few explicit forecasting years of the Plan.

Taking account of the characteristics of the equity investment, the recoverable value was estimated using an equity-side approach, using the dividend discount model (DDM) to discount the expected dividend flows from 2021, the first year dividends are expected to be distributed, to 2033, to which a terminal value was added. The discount rate used is a cost of capital (Ke) of 15.59%, calculated using the Capital Asset Pricing Model (CAPM) method. The terminal value was estimated assuming a discrete yield at 15 years, consistent with the useful life of the second constellation envisaged in the Plan, determining a pay-out based on a nominal growth rate for (g instalments) of the 2%, lower than the US risk-free rate and in line with US macroeconomic projections, and an ROE equal to the discount rate (Ke), prudentially excluding higher-than-market yields.

Following this analysis, the fair value amounted to about $68.9 million, an increase compared with the carrying amount at 31 December 2017, equal to the purchase cost, of about $7.7 million. In order to verify the robustness of the estimate, a sensitivity analysis was conducted for the Ke parameters and the growth rate g: assuming an increase of 1% in the Ke and maintaining a growth rate of 2%, the recoverable value of the investment would fall to $62.8 million, which is still higher than the purchase cost.

Investments in other entities also includes the 16.67% stake held by the Parent Company in the French company ESSP SaS, in which the main European service providers are shareholders and which operates the EGNOS satellite navigation system and provides the associated services. In 2018, ENAV received a dividend of €500 thousand (€417 thousand in 2017).

10. Current and non-current financial assets

Current and non-current financial assets amounted to €9,007 thousand and €37,161 thousand, respectively, both increasing compared with 31 December 2017, by €8,682 thousand and €24,160 thousand. The item breaks down as follows:

	31.12.2018			31.12.2017			Change		
(thousands of euros)	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Financial assets at amortized cost	9,001	36,811	45,812	0	12,650	12,650	9,001	24,161	33,162
Other financial assets	0	350	350	0	351	351	0	(1)	(1)
Derivative financial instruments	6	0	6	325	0	325	(319)	0	(319)
Total	**9,007**	**37,161**	**46,168**	**325**	**13,001**	**13,326**	**8,682**	**24,160**	**32,842**

The net increase in current financial assets is mainly attributable to the opening, in December, of a 1-year time deposit of €9 million, accruing annual interest of 0.30%. The decrease of €319 thousand refers to the fair value measurement of the financial instrument obtained by the Parent Company to hedge the exposure to an unfavourable change in the euro/AED exchange rate with regard to future receipts in foreign currency on an outstanding contract for the project to optimise air traffic flows in the United Arab Emirates, expiring in June 2019. The financial instrument establishes perfectly effective hedging relationship, accounted for using the cash flow hedge method. Please see Note 34 for all the information required by IFRS 7.

Non-current financial assets, which amounted to €37,161 thousand, showed a net increase of €24,160 thousand, mainly attributable to the investment of part of the Parent Company's liquidity in two BTP government bonds, recognised at amortised cost and held to maturity, with a total nominal value of €25 million euros falling due on 15 October 2020 and 1 November 2020 respectively. The value recognised at 31 December 2018 is equal to €24.9 million and the yields on BTPs are 0.65% and 0.20% .

Non-current financial assets measured at amortised cost include the financial receivable due from the company from which the business unit transferred to Techno Sky in the amount of €11.910 thousand, a reduction of €740 thousand, reflecting reimbursements obtained in respect of payments and advances on severance pay disbursed by Techno Sky to its employees. In fact, this receivable corresponds to the severance pay for the employees of the business unit transferred by the seller to the subsidiary Techno Sky and is reduced either at the request of the subsidiary for employees terminating their employment or asking for advances, or in a single payment to be made 15 years from the transaction date, or 28 December 2021. The receivable bears interest at a rate of 3-month Euribor, base 360, plus a spread of 0.05 percentage points and is secured by a bank guarantee payable on first demand, whose value is adjusted annually on the basis of the amounts received by Techno Sky during the year.

11. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities, as well as deferred tax assets offsettable, where permitted, against deferred tax liabilities, are reported in the following below, with amounts impacting profit and loss and those impacting other comprehensive income (shareholders' equity) reported separately.

	31.12.2017		Changes under IFRS 9 and 15 through Shareholders' equity		Increase/decrease through profit or loss		Increase/decrease through Shareholders' equity		31.12.2018	
(thousands of euros)	Temporary differences	Deferred Tax assets/liabilities	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	448	108	(34,432)	(8,265)	0	0	27,571	6,617
Write-down of inventories	9,119	2,189	0	0	447	107	0	0	9,566	2,296
Discounting of receivables	1,529	389	0	0	(1,257)	(323)	0	0	272	66
Tax effect of IFRS conversion	616	171	0	0	(67)	(19)	0	0	549	152
Discounting of severance pay provision	2,497	618	0	0	0	0	(1,404)	(337)	1,093	281
Non-deductible portion of severance pay	1,296	326	0	0	(1,110)	(281)	0	0	186	45
Fair value of derivatives	4	1	0	0	0	0	0	0	4	1
Other	22,291	6,317	0	0	(110)	17	0	0	22,181	6,334
Total	**98,907**	**24,785**	**448**	**108**	**(36,529)**	**(8,764)**	**(1,404)**	**(337)**	**61,422**	**15,792**
Deferred tax liabilities										
Other	8,401	2,016	3	1	(3,396)	(815)	0	0	5,008	1,202
Discounting on debts	365	88	0	0	203	49	0	0	568	137
Tax effect of IFRS conversion	2,549	763	0	0	(148)	(48)	0	0	2,401	715
Fair value of investment	0	0	0	0	0	0	6,669	1,400	6,669	1,400
Fair value of derivatives	2,658	638	0	0	0	0	(78)	(19)	2,580	619
Total	**13,973**	**3,505**	**3**	**1**	**(3,341)**	**(814)**	**6,591**	**1,381**	**17,226**	**4,073**

The change in the year in deferred tax assets and deferred tax liabilities, which have a balance at the end of 2018 of €15,792 thousand and €4,073 thousand, respectively, is attributable to the following factors:

- the utilisation of taxable risk provisions and the provision for doubtful accounts as a result of the circumstances discussed in Notes 13 and 19, leading to the reversal of deferred tax assets following the occurrence of the events that had prompted their recognition in previous years;
- the reversal to profit and loss of the deferred tax associated with the discounting of receivables and payables for Balances for the year. The item also changed in reflection of the recognition of deferred taxation for the Balances recorded in 2018;
- the recognition of employee severance pay in accordance with the actuarial method, which produced an actuarial gain recognised in other comprehensive income;
- the measurement at fair value of derivative financial instruments, recognised in other comprehensive income;

- the reversal of uncollected default interest recognised in previous years following their writeoff;
- the recognition of deferred taxation on the fair value of the investment in Aireon, as reported in Note 9;
- the measurement and reversal to profit or loss of the elimination of margins on intercompany transactions.

The Group has determined that it is reasonably certain that the deferred tax assets recognised on the basis of future taxable income inferable in the business plan can be recovered.

12. Current and non-current tax receivables

Non-current tax receivables amounted to €24,858 thousand (unchanged on the previous year) and refer to the receivable for the excess IRES paid by the Group in 2007-2011 as a result of the non-deduction of IRAP relating to personnel and similar costs. In accordance with the requirements of the Revenue Agency, which call for repayment starting from the most distant tax periods and in the order of the electronic transmission of data flows, it was deemed prudential to classify this receivable under non-current assets.

Current tax receivables amounted to €27,099 thousand and include the receivables shown in the following table.

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Receivables from tax authorities for VAT	20,363	20,202	161
IRES receivable	6,232	0	6,232
IRAP receivable	235	5,617	(5,382)
Other current tax receivables	269	359	(90)
Total	**27,099**	**26,178**	**921**

Receivables from tax authorities for VAT amounted to €20,363 thousand, a net increase of €161 thousand, of which €70 thousand in interest income on the amount requested for reimbursement, which for the Group amounts to a total of €15 million, with the remainder attributable to the VAT receivable accrued during the year.

The IRES receivable amounted to €6,232 thousand and represents the residual difference between payments on account during the year of €32,993 thousand, withholdings incurred and the Parent Company's 2018 IRES liability of €26,767 thousand.

The **IRAP receivable** decreased by €5,382 thousand following the change between the payment of account of €2,203 thousand and the Group's tax liability for 2018 of €7,879 thousand, giving the Parent Company a IRAP liability and the subsidiary Techno Sky an IRAP receivable.

13. Current and non-current trade receivables

Current trade receivables amounted to €268,076 thousand and non-current trade receivables amounted to €18,448 thousand, both decreasing compared with the previous year, as detailed in the following table:

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Current trade receivables			
Receivables from Eurocontrol	150,841	185,423	(34,582)
Receivables from the Ministry for the Economy and Finance	13,076	13,932	(856)
Receivables from the Ministry of Infrastructure and Transport	30,000	30,000	0
Receivables from others	22,825	42,242	(19,417)
Receivables for Balances	80,089	70,200	9,889
	296,831	**341,797**	**(44,966)**
Provision for doubtful accounts	(28,755)	(55,987)	27,232
Total	**268,076**	**285,810**	**(17,734)**
Non-current trade receivables			
Receivables from customers	2,214	0	2,214
Receivables for Balances	16,234	88,174	(71,940)
Total	**18,448**	**88,174**	**(69,726)**

Receivables from Eurocontrol refers to the fees in respect of en-route and terminal revenues not yet received as of 31 December 2018, the majority of which is not yet due, amounting respectively to €106,226 thousand (€131,140 thousand at 31 December 2017) and €44,615 thousand (€54,283 thousand at 31 December 2017), gross of the provision for doubtful accounts. The net decrease for the year of €34,582 thousand reflects various developments, including: i) the writeoff of a total of €33.3 million in receivables from airlines that are bankrupt, under special administration or which no longer operate, which had been recognised in previous years and were fully written down. Eurocontrol, in accordance with the Financial Regulations applicable to the Route Charges System, submitted the writeoff of a group of creditor positions for the approval of the Acceding States within the Enlarged Committee. The writeoff does not prejudice the right to seek recovery of the receivables; ii) the collection of positions outstanding the previous year, including collection of the en-route due receivable from Alitalia prior to the opening of the special administration procedure, which declared its insolvency, under the terms of the agreement reached with Eurocontrol in December 2017 and collected in full in the amount of €10.9 million. These decreases were partly offset by an increase in both en-route and terminal revenues recorded in the last months of the year compared with the corresponding period of the previous year. The receivable from Eurocontrol, net of the portion directly attributable to the provision for doubtful accounts, amounted to €132,152 thousand (€140,229 thousand at 31 December 2017).

Receivables from the Ministry for the Economy and Finance (MEF) of €13,076 thousand is entirely accounted for by the en-route and terminal exemptions recognised in 2018, a decrease of €856 thousand compared with the previous year, reflecting a decline in service units in 2018. The receivable in 2017 of €13,932 thousand was offset, after approval of the 2017 financial statements, with the payable to the

Italian Air Force for the collections in respect of the en-route charges of €59,882 thousand, which left a payable of €45,950 thousand due to the MEF which was paid in December 2018.

Receivables from the Ministry of Infrastructure and Transport includes the operating grant for the year, equal to €30,000 thousand, which is intended to offset the costs incurred by the Parent Company to guarantee the safety of its plant and operational safety, as provided for by Article 11-*septies* of Law 248/05. In November, €30 million recognised in 2017 were received.

Receivables from others show a net decrease of €19,417 thousand compared with the previous year, mainly reflecting the collection of receivables during the year from the Valerio Catullo management company, following the favourable ruling of the Court of Appeal, from the management company of the Comiso airport for the tower service activities carried out by Parent Company personnel in 2016, and from the General Civil Aviation Authority for airspace restructuring activities in the United Arab Emirates. Transactions increasing receivables, in addition to the receivables accrued on foreign projects including those due from Libyan Civil Aviation Authority, included the short-term receivable from Alma Mater Studiorum - University of Bologna, which purchased the Academy building complex at the end June 2018 for €4.5 million, of which €1.5 million was paid with cashier's cheques in conjunction with the signing of the deed of sale 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 is accrued on this receivable, it has been discounted and the portion that will be collected in subsequent financial years has been classified under non-current receivables in the amount of €2,214 thousand. To guarantee the deferred payment, Alma Mater Studiorum - University of Bologna granted a voluntary first mortgage of the same duration as the payment extension on the properties involved in the sale.

The **provision for doubtful accounts** amounted to €28,755 thousand, with changes in 2018 breaking down as follows:

		Increases		Decreases		
(thousands of euros)	**31.12.2017**	P&L	Equity	Utilizations	Cancellations	**31.12.2018**
Provision for doubtful accounts	55,987	8,993	453	(2,292)	(34,386)	28,755

With reference to the increases for the year, as discussed in the accounting standards, the adoption of IFRS 9 with effect from 1 January 2018 resulted in an increase of €453 thousand in writedowns of receivables, which was recognised in opening shareholders' equity at 1 January 2018, net of deferred taxation. The increases recognised in profit or loss refer to the application of writedowns on past due receivables as well as to the remaining 50% of the terminal receivable due from Alitalia, which had accrued prior to the declaration of insolvency by the carrier on 2 May 2017, in the amount of €3.5 million. This prudential writedown was recognised both to take account of the risk and uncertainty associated with the insolvency procedure, which has grown even longer despite ongoing talks with Alitalia in order to recognise the receivable as an en-route receivable, and the time necessary to recover the receivable. The use of the provision for doubtful accounts refers to receivables prudentially written down in previous years and collected in the course of 2018 in the amount of €2,292 thousand and the writeoff of receivables in the amount of €34,386 thousand for the reasons noted earlier.

The uses are recognised in the income statement under the item “writedowns and impairment (reversals of impairment) “.

Receivables for Balances, which pertain to the Parent Company in their entirety, amounted to €96,323 thousand net of the discounting effect (€158,374 thousand at 31 December 2017) and are classified as follows: i) current trade receivables of €80,089 thousand, which, gross of before discounting, regards the portion that will be recovered in 2019 and therefore included in charges in the same year; ii) €16,234 thousand classified in non-current trade receivables, as they will be recovered in the years after 2019 in accordance with the recovery plans included in the performance plan and in the 2016-2019 programme contract, in which the positive Balances determined in 2018 have been recognised.

The receivable for Balances declined by a total of €62,051 thousand, the combined effect of new receivables to €8,942 thousand (€30.4 million euro t 31 December 2017) and the portion incorporated in charges in 2018 and recognised in profit or loss in the same year in the amount of €72,250 thousand (€30.7 million at 31 December 2017), gross of discounting. The Balances recognised in 2018 included en-route Balances of €8,359 thousand (€29,042 thousand at 31 December 2017) and terminal Balances of €583 thousand (€1,388 thousand at 31 December 2017).

More specifically, the route Balances include: i) the balance for Eurocontrol traffic risk and the portion not recovered of Balances recognised in previous years and included in 2018 charges in the total amount of €1.3 million. No Balances were recorded for traffic risk pertaining to the Parent Company as the variation between the service units recorded in the final balance compared with the performance plan was -1.25%. This divergence is below the 2% threshold set by European regulations and therefore does not entail the recognition of a balance item, as such deviations are borne by service providers; ii) the meteorological services balance of €190 thousand, which in compliance with European regulations in determined on a cost-recovery basis; iii) the balance for the en-route capacity KPI, a bonus for exceeding the target specified in the performance plan of a 0.11 minutes of delay per assisted en-route flight with the achievement of 0.024 minutes/flight by the Parent Company. As the highest level of bonus was achieved, a balance of €6,859 thousand was recognised.

The terminal Balances include: i) the traffic risk balance for terminal Charging Zone 1 amounting to €122 thousand, reflecting a decrease in actual service units at the Rome Fiumicino airport compared with the level indicated in the performance plan (-2.42%); ii) the meteorological services balance for terminal Charging Zone 1 amounting to €80 thousand; and iii) the capacity balance for the two terminal charging zones subject to the performance plan, which set a target of 0.02 minutes of delay in arrivals due to causes attributable to the Parent Company. For the five airports covered by the performance plan, the total delay for causes attributable to ATM services was equal to 0.008 minutes, for a balance of €219 thousand.

14. Inventories

Inventories, which are mainly represented by spare parts, amounted to €61,001 thousand net of provisions for doubtful accounts, an increase of €15 thousand on the previous year. Changes during the year break down as follows:

(thousands of euros)	**31.12.2017**	**Increase**	**Decrease**	**31.12.2018**
Bonded inventory	64,686	2,526	(2,246)	64,966
Direct inventory	4,676	634	(451)	4,859
Flight inspection inventory	743	0	0	743
	70,105	**3,160**	**(2,697)**	**70,568**
Provision for inventory losses	(9,119)	(1,092)	644	(9,567)
Total	**60,986**	**2,068**	**(2,053)**	**61,001**

The increase of €2,068 thousand, net of the inventory loss provision, mainly reflects bonded inventory for the purchase of spare parts for operating systems used for air navigation, including spare parts to support radar and lighting aids. Part of the increase, equal to €448 thousand, was attributable to parts of systems classified to inventories from property, plant and equipment. The decrease of €2,053 thousand, gross of the inventory loss provision, reflected the use of spare parts in operating systems.

The provision for inventory losses increased by €1,092 thousand for replacement parts that became obsolete as they were designed for plant no longer in use and decreased by €644 thousand following the disposal of spare parts already written down in previous years.

15. Other current and non-current assets

Other current assets amounted to €61,618 thousand and other non-current assets totalled €22,110 thousand, both increasing compared with the previous year. The item breaks down as follows:

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Receivables from government entities for capital grants	34,839	3,397	31,442
Receivables from personnel	3,707	3,464	243
Receivables from various entities for projects funded	21,595	3,209	18,386
Prepaid expenses	1,098	1,561	(463)
Other receivables	3,403	3,073	330
	64,642	**14,704**	**49,938**
Provision for doubtful accounts	(3,024)	(3,035)	11
Total	**61,618**	**11,669**	**49,949**

Receivables from government entities for capital grants increased by a total of €53,862 thousand in 2018, reflecting investment projects eligible for NOP 2014-2020 financing, in compliance with the agreements with the Ministry of Infrastructure and Transport and following registration of the accords with the Court of Auditors. Since some of these investment projects are in progress and others are in the start-up phase, €22,420 thousand, which was discounted to €22,110 thousand based on the estimated time to recover the receivable, was reclassified to other non-current assets. Certified accounts for a total of €16.9 million in projects were reported in 2018, of which a portion was received in the early months of 2019.

Receivables from personnel refers to the advances paid to employees for travel expenses and not yet completed at the end of the year, of which the largest portion (€3,024 thousand) regards expense advances paid to former employees of the Parent Company, already investigated by judicial authorities and prudently written down in previous years. Following the rulings no. 745/2011 and no. 966/2012 of the Court of Auditors, which sentenced the defendants to repay the sums, a number of repayment plans were established to recover the receivable. In 2018, €11 thousand were collected, reducing the provision. In order to secure the receivable, one fifth of pension payments and severance benefits were placed under sequestration, while current accounts and, for some parties, real estate were also seized.

Receivables from sundry entities for projects funded, totalling €21,595 thousand, showed a net increase of €18,386 thousand, mainly reflecting the recognition of receivables for projects financed under the Connecting European Facility, 2014 and 2015 call, in the amount of €17.5 million in 2018, and the recognition of the co-financing pertaining to the year for the SESAR 2020 programme.

Prepaid expenses decreased by €463 thousand in 2018, mainly due to the attribution to profit or loss of the commission paid to Banca Nazionale del Lavoro for a committed line of credit granted to the Parent Company for a period of three years expiring on 31 December 2019.

16. Cash and cash equivalents

The following table provides a breakdown of cash and cash equivalents at 31 December 2018.

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Bank and post office deposits	316,253	263,259	52,994
Cash and cash equivalents on hand	58	67	(9)
Total	**316,311**	**263,326**	**52,985**

Cash and cash equivalents amounted to €316,311 thousand, a net increase of €52,985 thousand compared with the previous year, reflecting, on the one hand, developments in receipts and payments connected with ordinary operations, which produced a positive cash flow, and, on the other, the following main events: i) payment of the dividend of €100.9 million; ii) payment to the MEF of €45.9 million as the net amount of the payable for en-route receipts and the receivable for exempt flights; iii) financial investments amounting to €33.9 million; iv) repayment of loans of €29 million; v) payment to the Italian Air Force of its share of terminal receipts in the amount of €15.7 million; vi) payment of the balance and payments on account in respect of IRES and IRAP tax liabilities totalling €43.5 million; and vii) purchase of treasury shares in the amount of €4.9 million euros. These developments were partly offset by the receipt of the prefinancing on the project funded by the Connecting European Facility 2014 and 2016 call, the interim payment of SESAR 2020 and other projects for a total of €17.9 million.

Cash and cash equivalents are not restricted by encumbrances limiting their availability. Note that following the liquidation of the Sicta Consortium, a portion of cash and cash equivalents, equal to €1,406 thousand, were reclassified to assets held for sale, as discussed in Note 17.

17. Assets held for sale and associated liabilities

Assets and liabilities held for sale only include the positions connected with the Sicta Consortium in liquidation, which have been classified under this item in accordance with the requirements set out in IFRS 5. As already noted in 2017, certain circumstances have prevented completion of the liquidation of the consortium, namely a number of relative small disputes initiated by former employees, which could be resolved in the course of 2019.

The carrying amount of the consortium's net assets will be recovered through a liquidation, which is considered highly probable following the registration of the liquidation instrument and appointment of the liquidator in the Company Register on 28 March 2017.

The assets held by the consortium as at 31 December 2018 are shown below:

(thousands of euros)	31.12.2018	31.12.2017	Change
Non-current assets			
Property, plant and equipment	0	0	0
Total non-current assets	**0**	**0**	**0**
Current assets			
Inventories	0	18	(18)
Current trade receivables	0	68	(68)
Tax receivables	56	48	8
Other current assets	2	112	(110)
Cash and cash equivalents	1,406	950	456
Total current assets	**1,464**	**1,196**	**268**
Total assets	**1,464**	**1,196**	**268**

During 2018, the consortium collected trade receivables and other current assets related to a number of residual projects it had financed and wrote down inventories in the amount of €18 thousand, as they considered non-recoverable and obsolete. The increase in cash and cash equivalents reflected the cash generated by the consortium's residual operations, net of the repayment of the excess pre-financing paid out as part of the SESAR 2020 projects.

The balance sheet items classified under liabilities associated with assets held for sale as at 31 December 2018 are reported below:

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Non-current liabilities			
Severance pay and other employee benefits	0	0	0
Total non-current liabilities	**0**	**0**	**0**
Current liabilities			
Current trade payables	5	14	(9)
Tax and social security payables	0	53	(53)
Other current liabilities	0	433	(433)
Total current liabilities	**5**	**500**	**(495)**
Total liabilities	**5**	**500**	**(495)**

The change in current liabilities mainly refers to the restitution of the excess advances paid to the consortium as pre-financing as part of the SESAR 2020 projects, prior to the award of the projects to the Group company to which the employees of the consortium were transferred.

18. Shareholders' equity

Shareholders' equity at 31 December 2018 amounted to €1,137,559 thousand and breaks down as follows.

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Share capital	541,744	541,744	0
Legal reserve	26,663	21,938	4,725
Other reserves	442,829	436,815	6,014
Translation reserve	5,901	3,422	2,479
IAS FTA reserve	(727)	(727)	0
Reserve for actuarial gains/(losses) for employee benefits	(9,086)	(10,153)	1,067
Cash flow hedge reserve	1,957	2,017	(60)
Reserve for treasury shares	(4,973)	0	(4,973)
Retained earnings/(loss carryforward)	18,861	23,411	(4,550)
Profit/(loss) for the year	114,390	101,498	12,892
Total shareholders' equity pertaining to shareholders of the Parent Company	**1,137,559**	**1,119,965**	**17,594**
Share capital and reserves pertaining to non-controlling interests	0	0	0
Profit/(loss) pertaining to non-controlling interests	0	0	0
Total shareholders' equity pertaining to non-controlling interests	**0**	**0**	**0**
Total shareholders' equity	**1,137,559**	**1,119,965**	**17,594**

Share capital consists of 541,744,385 ordinary shares with no par value, of which 53.28% are held by the Ministry for the Economy and Finance, 46.50% by institutional and individual shareholders and 0.22% by ENAV in the form of treasury shares. At 31 December 2018 all the shares are subscribed and paid up and no preference shares have been issued.

The **legal reserve** represents the share of profits that under the provisions of Article 2430 of the Civil Code cannot be distributed as dividends. In 2018, in accordance with the resolution of the Shareholders' Meeting of 27 April 2018, at the time of approval of the 2017 financial statements, 5% of ENAV SpA's profit for the year was allocated to the legal reserve in an amount equal to €4,725 thousand.

Other reserves include €36.4 million in the reserve for capital grants received in 1996-2002, which is reported net of taxes that have been discharged thereby making the reserve available, as well as €400 million from the allocation of the voluntary reduction of share capital, €1.2 million for the reserve for the long-term incentive plan for the Group's management and €5.3 million in respect of the fair value measurement investments in other entities (Aireon), net of deferred taxation.

The **translation reserve** for the conversion of financial statements denominated in foreign currencies reflects exchange differences generated by the translation into euros of the financial statements of companies operating in areas other than the euro area.

The **IAS FTS reserve** (first-time adoption) reflects differences in the values of assets and liabilities recognised at the time of initial adoption of international accounting standards.

The **reserve for actuarial gains/(losses) for employee benefits** includes the effects of the actuarial changes in employee severance benefits, net of the tax effect. The change reflects the actuarial gain registered at 31 December 2018.

The **cash flow hedge reserve** includes the impact of the measurement at fair value of hedging derivatives, which shows a net decrease of €60 thousand for the year.

The **treasury share reserve** reports the value treasury shares purchased during the year, with a total of 1,200,000 treasury shares at an average price of €4.14 per share.

Retained earnings/(loss carryforward) reflects results for previous years of the companies included in the scope of consolidation and adjustments made at the consolidated level. The decrease of €4,550 thousand on the previous year reflects the distribution of the 2017 dividend approved by the Shareholders' Meeting of 27 April 2018 in the total amount of €100.9 million (€0.1864 per share), of which €11.2 million were drawn from retained earnings, as well as €342 thousand from the effects of the application of IFRS 9 and IFRS 15 with effect from 1 January 2018, net of deferred taxes.

Profit for the year amounted to €114,390 thousand.

Capital management

The capital management objectives of the Group are creating value for stakeholders and supporting the Group's long-term development. In particular, the Group seeks to maintain an adequate level of capitalisation that enables it to access external sources of financing while optimising borrowing costs, achieving a satisfactory financial return for shareholders and enabling it to adequately support the development of the Group's activities. Accordingly, the Group manages its capital and takes account of economic conditions and the requirements of financial covenants in the pursuit of these goals.

19. Provisions for risks and charges

Provisions for risks and charges amounted to €2,707 thousand, of which the portion classified in current liabilities totalled €992 thousand, and changed as follows during the year:

(thousands of euros)	31.12.2017	Increases	To profit or loss	Uses	31.12.2018
Provisions for disputes with personnel	1,982	0	(665)	(92)	1,225
Provisions for other pending litigation	910	0	(765)	(73)	72
Other risk provision	6,588	0	(1,836)	(3,342)	1,410
Total provisions for risks and charges	**9,480**	**0**	**(3,266)**	**(3,507)**	**2,707**

Provisions for disputes with personnel, the short-term portion of which stood at €920 thousand, includes liabilities that could emerge as a result of labour disputes of various kinds. The provision declined by a total of €757 thousand during the year, of which €92 thousand was for the termination of disputes and €665 thousand resulted from the lapse of liabilities identified in the past by the Group. At 31 December 2018 the total value of legal claims relating to outstanding disputes for which Group legal counsel have deemed the risk of a loss to be possible is €0.9 million.

Provisions for other pending litigation, classified entirely at short term, decreased by €838 thousand during the year, reflecting the settlement of a dispute with a supplier in June. At 31 December 2018, the estimated charges related to outstanding disputes for which Group legal counsel have deemed the risk of a loss to be possible is €2.3 million.

Other risk provisions, classified entirely under non-current liabilities, decreased by a total of €5,178 thousand as the result of the settlement of a number of disputes with suppliers regarding contracts terminated in previous years. In particular, with the signing of the settlement agreement referring to the contract for the modernization of flight assistance systems at the Parma airport, whose assets, classified as property, plant and equipment under construction, had been provisioned to account for their future non-usability given the length of the dispute settlement process and the obsolescence of the assets, the value of the assets still considered to be usable, equal to €1.8 million, has been recognised through profit or loss and the remainder has been charged against the value recognised under property, plant and equipment under construction in the amount of €1.6 million. The provision was also used in the amount of €1.8 million to cover amounts capitalised in plant that can no longer be used.

20. Severance pay and other employee benefits

The provision for severance pay and other employee benefits amounted to €52,280 thousand, and is composed of the severance pay provision governed by Article 2120 of the Civil Code, which reports the estimated liability determined using actuarial techniques in respect of amounts payable to ENAV Group employees at the end of their employment relationship.

Developments in the liability for severance pay and other employee benefits during the year break down as follows:

(thousands of euros)	**31.12.2018**	**31.12.2017**
Liabilities for employee benefits at the beginning of the year	**55,636**	**57,388**
Interest cost	696	729
Actuarial (gains)/losses on defined benefits	(1,404)	(138)
Advances, benefit payments and other variations	(2,648)	(2,343)
Liabilities for employee benefits at the end of the year	**52,280**	**55,636**

The interest cost component of the provision, equal to €696 thousand, was recognised under financial expense. The utilisation of €2,648 thousand of the severance pay provision reflected benefits paid out to personnel leaving the Group during the year, advances disbursed to personnel who so requested and, to a small extent, the direct monthly payment of severance pay as a supplement to remuneration ("QU.I.R.") in compliance with the provisions of the 2015 Stability Act and until 30 June 2018, for personnel who exercised this option.

The difference between the expected value of provision at the end of observation period and the expected present value of benefits payable in the future, recalculated at period end on the basis of the updated assumptions, represents the actuarial gain (loss). In 2018 this calculation generated actuarial gains of €1,404 thousand.

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

	31.12.2018	**31.12.2017**
Discount rate	1.57%	1.30%
Inflation rate	1.50%	1.50%
Rate of annual increase in severance pay	2.625%	2.625%
Expected turnover rate	4.00%	4.00%
Expected rate of advances	2.50%	2.50%

The discount rate used to calculate the present value of the obligation was determined, consistent with paragraph 83 of IAS 19, using the IBoxx Corporate AA Index with a duration of 10+observed at the measurement date and commensurate with the average length of future service of the personnel involved. The inflation curve was calculated on the basis of current economic developments, where the majority of economic indicators have been particularly volatile. The annual rate of increase in severance pay 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 measurement are reported below.

	31.12.2018	31.12.2017
Death	IPS55	IPS55
Disability	INPS tables by age and gender	INPS tables by age and gender
Retirement	100% upon meeting requirements for mandatory general pension	100% upon meeting requirements for mandatory general pension

The following provides a sensitivity analysis of the severance pay liability in alternative scenarios for the actuarial assumptions.

	Liabilities for defined benefits for Group employees	
(thousands of euros)	**31.12.2018**	**31.12.2017**
Turnover rate + 1%	52,226	55,385
Turnover rate -1%	52,630	56,036
Inflation rate + 0.25%	53,129	56,482
Inflation rate - 0.25%	51,720	54,919
Discount rate + 0.25%	51,302	54,453
Discount rate - 0.25%	53,573	56,979

The average duration of the liability for defined benefit plans is 10.5 years.

The following table provides a schedule of expected disbursements on the severance pay provision in subsequent years.

(thousands of euros)	Payments expected
within 1 year	3,440
between 1 to 2 years	3,359
between 2 to 3 years	3,484
between 3 to 4 years	3,077
between 4 to 5 years	3,122

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 reported 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 expense accrued for 2018 included under current liabilities.

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

(thousands of euros)	31.12.2018			31.12.2017			Change		
	current	non-current	Total	current	non-current	Total	current	non-current	Total
Bank loans	13,506	157,253	170,759	29,044	170,670	199,714	(15,538)	(13,417)	(28,955)
Bond	1,418	180,000	181,418	1,418	180,000	181,418	0	0	0
Total	**14,924**	**337,253**	**352,177**	**30,462**	**350,670**	**381,132**	**(15,538)**	**(13,417)**	**(28,955)**

The following table provides a breakdown of net financial debt at 31 December 2018 compared with the previous year, in accordance with the requirements of the Consob Communication of 28 July 2006 and in compliance with the provisions of the recommendation ESMA/2013/319 of 20 March 2013.

(thousands of euros)	31.12.2018	of which with related parties	31.12.2017	of which with related parties
(A) Cash	316,311	558	263,326	558
(B) Other cash equivalents	0	0	0	0
(C) Trading securities	0	0	0	0
(D) Liquidity (A)+(B)+(C)	**316,311**	**558**	**263,326**	**558**
(E) Current financial receivables	**9,001**	**0**	**0**	**0**
(F) Current financial debt	0	0	0	0
(G) Current portion of non-current debt	(14,924)	0	(30,462)	(1,664)
(H) Other current financial debt	0	0	0	0
(I) Current financial debt (F)+(G)+(H)	**(14,924)**	**0**	**(30,462)**	**(1,664)**
(J) Net current financial debt/Liquidity (D)+(E)+(I)	**310,388**	**558**	**232,864**	**(1,106)**
(K) Non-current bank loans	(157,253)	0	(170,670)	0
(L) Bonds issued	(180,000)	0	(180,000)	0
(M) Other non-current debt	0	0	0	0
(N) Non-current financial debt (K)+(L)+(M)	**(337,253)**	**0**	**(350,670)**	**0**
(O) CONSOB Net financial debt (J)+(N)	**(26,865)**	**558**	**(117,806)**	**(1,106)**
(P) Current and non-current derivatives	6	0	325	0
(Q) Non-current financial receivables	24,901	0	0	0
(R) ENAV Group net financial debt (O)+(P)	**(1,958)**	**558**	**(117,481)**	**(1,106)**

Bank loans at 31 December 2018 decreased by €28,955 thousand following the repayment of loans and the effects associated with amortised cost measurement. Specifically, repayments involved the following loans:

- the repayment of the final two half-year instalments of the loan from Unicredit S.p.A. totalling €8,000 thousand due 30 November 2018;
- the repayment of the final instalment of the loan from Unicredit S.p.A. totalling €10,000 thousand due 30 June 2018;
- the repayment of the final instalment of the loan from Medio Credito Centrale in the amount of €1,667 thousand, due 31 May 2018.
- the repayment of the first two half-year instalments of the loan from the EIB, repayment of which began in 2018, in the total amount of €5,333 thousand, with the final payment falling due on 12 December 2032;
- the repayment of the first instalment of the loan from the EIB, repayment of which began in 2018, in the total amount of €3,996 thousand, with the final payment falling due on 19 December 2029.

The instalments of the above loans falling due in 2019 in line with the repayment plans are recognised under current liabilities in the total amount of €13,506 thousand, which includes the effect of amortised cost measurement.

At 31 December 2018, the Group had unused short-term credit lines totalling €222.5 million, including committed lines of €70 million and uncommitted lines of €152.5 million, in addition to the share of the EIB loan of €70 million not yet used, resulting in available liquidity of €292.5 million.

The following table provides an analysis of the loans with the general conditions for each individual Group credit relationship with the lenders. With regard to advances from the Unicredit and Intesa San Paolo, note that the conditions applied are agreed on a case-by-case basis and reflect market developments.

Lender	Type	Amount granted	Amount used (nominal value)	Amount available	Book value	Rate
BNL-BNP Paribas	Acc. credit - overdraft	24,000	0	24,000	0	Euribor + spread
BNL-BNP Paribas	Committed credit line	70,000	0	70,000	0	Euribor + spread
Unicredit	Export advances	15,000	0	15,000	0	Euribor + spread
Unicredit	Import advances	10,000	0	10,000	0	Euribor + spread
Unicredit	Financial advances	46,000	0	46,000	0	Euribor + spread
Intesa San Paolo	Financial advances	55,000	0	55,000	0	Euribor + spread
Intesa San Paolo	Acc. credit - overdraft	2,500	0	2,500	0	Euribor + spread
EIB - European Investment Bank	15-year loan	250,000	180,000	70,000	170,759	Fixed rate + 1.515/1.010
Total		**472,500**	**180,000**	**292,500**	**170,759**	

The average interest rate on bank loans in the reference period was 1.66%, slightly higher than the rate for the previous year (1.56%).

On 4 August 2015, the Parent Company issued a bond with a nominal value of €180 million, which is listed on the Luxembourg Stock Exchange’s regulated market and has a maturity of seven years, with full repayment at maturity (4 August 2022). The bond issue provides for the payment in arrears of an annual fixed-rate coupon of 1.93% of the nominal value. The interest accrued for the year amounted to €3,474 thousand, of which the portion not disbursed, equal to €1,418 thousand, was classified under current liabilities.

In relation to the disclosure required under IFRS 7, the fair value of the bond, understood as the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, was estimated at €187.45 million.

The Group estimated the fair value of the bond on the basis of market data from a leading information provider, applying an additional spread for the ENAV counterparty to the zero curve.

In accordance with IAS 7, paragraph 44B, the only non-cash changes recognised in 2018 reflected the marginal impact of amortised cost measurement.

22. Current and non-current trade payables

Trade payables amounted to €126,122 thousand, a decrease of €4,732 thousand on the previous year, reflecting the changes in the items reported in the following table:

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Current trade payables			
Payables to suppliers	88,736	100,648	(11,912)
Payables for advances received for projects with EU financing	14,489	13,715	774
Payables for Balances	22,897	16,491	6,406
Total	**126,122**	**130,854**	**(4,732)**
Non-current trade payables			
Payables for Balances	34,842	23,648	11,194
Total	**34,842**	**23,648**	**11,194**

Payables to suppliers of goods and services necessary for the Group's operations decreased by €11.9 million, due both to payments and write-offs of outstanding positions from previous years that were closed as a result of settlements between the parties and to a decline in purchases under operating contracts in 2018.

Payables for advances received for projects with EU financing, amounting to €14,489 thousand, increased by a net €774 thousand compared with 31 December 2017. The item includes: i) pre-financing received for the Connecting Europe Facility (CEF), financed at 50%, referring to the first pre-financing of the 2016 call in the amount of €11.4 million, the third pre-financing of the 2014 call for 2017 activities in the amount of €1.3 million, and to the receipts obtained under the SESAR 2020 programme. The item decreased by €10.3 million euro following the final accounting for the CEF project referring to the 2014 and 2015 calls, which took place in July 2018, and the recognition in profit or loss of accrued amounts and the recognition of receivables from others of the amounts to be received as an interim payment from the European Commission.

Payables for Eurocontrol Balances amounted to €57,739 thousand, of which the part classified under current payables came to €22,897 thousand and corresponds to the amount that will be charged to profit or loss in 2019 in accordance with changes in charges. The overall increase of €17.6 million in payables for Balances at 31 December 2018 compared with the previous year mainly reflect the recognition in 2018 of larger negative Balances, posted under non-current trade payables and including: i) the en-route inflation balance of €15,278 thousand (€13,491 thousand in 2017), determined by calculating the planned costs for 2018, with a knock-on effect from the start of the performance plan beginning in 2015, in accordance with the charging mechanism, the percentage of inflation forecast in the performance plan (1.5%) compared with the actual figure, which was 1.2%; ii) the terminal inflation balance for charging zones 1 and 2, calculated using the same methodology as for the en-route, equal to €2,610 thousand (€2,251 thousand in

2017); iii) the traffic balance for terminal Charging Zone 2 of €4,526 thousand as a result of the increase in service units actually recorded compared with the planned figure of +7.0% (€2,530 thousand in 2017); iv) the balance for Charging Zone 3 calculated on a cost-recovery basis, which amounted to €1,829 thousand in reflection of the difference between actual costs and revenues compared with the planned figures (€5,167 thousand in 2017); v) the Eurocontrol costs balance, referring to the difference generated between the amount incorporated in charges in 2017 and 2018 in accordance with the data declared in the performance plan and the amount actually generated in 2017 and included in the budget for 2018 approved by the Eurocontrol Permanent Commission. These costs, which are not covered by the cost-sharing mechanism, are reimbursed to carriers through the balance mechanism and totalled €10.6 million.

23. Other current and non-current liabilities

Other current and non-current liabilities showed an overall increase of €64,457 thousand compared with the previous year, as a result of the changes in the items reported in the following table:

	31.12.2018			31.12.2017			Change		
(thousands of euros)	**current**	**non-current**	**Total**	**current**	**non-current**	**Total**	**current**	**non-current**	**Total**
Payments on account	80,985	0	80,985	72,195	0	72,195	8,790	0	8,790
Other payables	43,037	0	43,037	52,784	0	52,784	(9,747)	0	(9,747)
Deferred income	7,304	172,486	179,790	8,123	106,253	114,376	(819)	66,233	65,414
Total	**131,326**	**172,486**	**303,812**	**133,102**	**106,253**	**239,355**	**(1,776)**	**66,233**	**64,457**

Payments on account amounted to €80,985 thousand and include €76,535 thousand in respect of the Parent Company's debt to the Italian Air Force (IAF) for the portion of accrued revenues received in 2018 for en-route and terminal services and €4,450 thousand in respect of the debt to Italian Civil Aviation Authority (ENAC) for accrued revenues concerning the same services. The net increase of €8,790 thousand for the year reflects the increase in receipts for en-route and terminal services and pertaining to the Italian Air Force and ENAC. During the year, the item was affected by the following events: i) offsetting of IAF payments on account for en-route services registered at 31 December 2017 in the amount of €59,882 thousand against the receivable due from the Ministry for the Economy and Finance (MEF) of €13,932 thousand, with the associated liability recognised in the amount of €45,950 thousand under other payables, which was paid in December; ii) payment to the IAF of the receipts pertaining to it for terminal services in an amount of €15,698 thousand; iii) payment of the 2017 amount pertaining share to ENAC in the amount of €3,494 thousand; iv) recognition of the amounts accrued in 2018, pertaining to the IAF and ENAC for a total of €87,865 thousand (€77,491 thousand in 2017).

Other payables amounted to €43,037 thousand, a net decrease of €9,747 thousand compared with the previous year. This reflected both the decrease in the payable for supplementary pension plans, in particular in respect of Prevaer, following the change in the payment times decided at the beginning of the year, shifting from semi-annual payments to monthly payments, and the reduction in payables to personnel, with provisions accrued totalling €35,553 thousand (€39,035 thousand at 31 December 2017). In particular, the reduction is associated with the liability for holiday entitlement accrued and not taken, which declined as a result of greater use of that entitlement in 2018 and a decline in provisions for employees, recognised on an accruals basis, following the transfer of the national collective bargaining agreement of the subsidiary Techno Sky to the air traffic sector, taking over the associated variable portion of the ordinary remuneration of employees, which will be paid on a monthly basis starting from January 2019.

Deferred income mainly refers to deferred income relating to investment projects that had received grant support. In particular, the item includes: i) the NOP Infrastructure and Networks grants for the period 2000-2006, 2007-2013 and 2014-2020 concerning specific investments made in southern airports in the amount, net of amounts taken to profit of loss, of €89,005 thousand (€40,542 thousand at 31 December 2017). The net change for the year of €48,463 thousand includes €5,399 thousand in respect of the reversal to profit or loss of the accrued portion for the year of the amortisation of the investments to which the grants refer and €53,862 thousand in respect of the investment projects recognised for the purposes of the PON 2014-2020 funding, in accordance with the agreements signed with the Ministry of Infrastructure and Transport, which were registered with the Court of Auditors during 2018. The current portion amounted to €3,763 thousand and represents the amount that will be reversed to profit or loss in the next 12 months; ii) capital grants for investments at military airports, in accordance with the provisions of Law 102/09, amounted to €61,672 thousand (€63,583 thousand at 31 December 2017), a decrease of €1,911 thousand reflecting the reversal to profit or loss of the amount accrued for the year for the modernisation of the technology systems at the Verona Villafranca airport and for the projects carried out at the Verona, Comiso, Rome Ciampino, Treviso, Brindisi and Rimini airports. The current portion amounted to €1,985 thousand; iii) other investment grants amounting to €4,865 thousand (€5,094 thousand at 31 December 2017), mainly referring to European funding obtained under TEN-T; iv) grants linked to the investment projects funded through the 2014 and 2015 call of the CEF programme in the amount of €24,226 thousand (€5,105 thousand at 31 December 2017), a net increase of €19,121 thousand following the final accounting of the investment projects receiving 50% funding under the 2014 and 2015 calls of the CEF programme, decreased by the €1,559 thousand grant for the year. The current portion amounts to €1,306 thousand.

24. Tax and social security payables

Tax and social security payables amounted to €32,105 thousand and break down as shown in the following table.

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Tax payables	10,484	14,128	(3,644)
Social security payables	21,621	25,253	(3,632)
Total	**32,105**	**39,381**	**(7,276)**

Tax payables showed a net decrease of €3,644 thousand, mainly attributable to the Parent Company's IRES credit for 2018, compared with a liability of €6,107 thousand the previous year. The amount also includes withholding taxes on employee remuneration, which was paid to the tax authorities in January 2019.

Social security payables include both the social security contributions on employee remuneration for December 2018, which were paid in the following month, and the share of the contributions on personnel costs recognised in the amount of €9,692 thousand (€13,430 thousand at 31 December 2017).

Notes to the consolidated income statement

25. Revenues from contracts with customers

Revenues from contracts with customers, represented by revenues from operating activities and the balance adjustment component, totalled €843,898 thousand, down €2,040 thousand compared with the previous year, mainly due to the negative impact of the Balances item.

The following tables provide a breakdown of the individual items that make up the revenues from contracts with customers in addition to a breakdown of those revenues by nature and type of activity in accordance with the requirements of IFRS 15. It should be noted that 2017 contains only a restatement of the figures, considering that the effects ascribable to the new standard were recognised in opening shareholders' equity at 1 January 2018.

(thousands of euros)	**2018**	**2017**	**Change**	**%**
En-route revenues	675,414	615,331	60,083	9.8%
Terminal revenues	222,580	219,554	3,026	1.4%
En-route and terminal exemptions	13,074	13,930	(856)	-6.1%
Revenues from non-regulated market	13,517	14,346	(829)	-5.8%
Total revenues from operations	**924,585**	**863,161**	**61,424**	**7.1%**
Balances	(80,687)	(17,223)	(63,464)	368%
Total revenues from contracts with customers	**843,898**	**845,938**	**(2,040)**	**-0.2%**

En-route revenues

En-route revenues amounted to €675,414 thousand, an increase of 9.8% or €60,083 thousand compared with the previous year, reflecting the increase of 9.3% in service units recognised during the year, which involved all three types of air traffic (national, international and overflight), compared with the final balance for 2017 (+4.0% in 2017 over 2016). The en-route rate applied in 2018 was €79.98 (€80.00 in 2017), which although substantially unchanged overall, represents a decrease of 3.8% if only the charge net of Balances is considered.

Considering en-route revenues including the exempt flights component, which posted a decrease of €752 thousand as a result of the decline of 6.6% in service units during the year (+2.0% in 2017 over 2016), and the adjustment component for Balances, which includes the portion recognised in 2018 including the effect of discounting, the portion recognised in previous years and included in charges in 2018 and, consequently, profit or loss for the same year, and the balance for changes in Eurocontrol costs, en-route revenues totalled €613,975 thousand, a decrease of €2,836 thousand compared with 2017, as shown below:

(thousands of euros)	2018	2017	Change
En-route revenues	675,414	615,331	60,083
En-route exemptions	10,447	11,199	(752)
Subtotal en-route revenues	*685,861*	*626,530*	*59,331*
En-route balances for the year	(12,909)	15,551	(28,460)
Discounting of balances for the year	286	(239)	525
Use of en-route balances n-2	(54,668)	(25,028)	(29,640)
Subtotal balances	*(67,291)*	*(9,716)*	*(57,575)*
En-route revenues net of balances	*618,570*	*616,814*	*1,756*
Balances delta Eurocontrol costs prev. year	(4,595)	(3)	(4,592)
Total revenues from en-route operations net of balances	**613,975**	**616,811**	**(2,836)**

The en-route balance had a negative impact totalling €67,291 thousand in respect of the part directly connected with revenues generated in the year and an additional negative €4,595 thousand in respect of the difference between Eurocontrol costs included in charges in 2017 in conformity with the figure stated in the performance plan and the amount actually posted in the certified accounts. These costs, which are not included in to the cost-risk mechanism, are reimbursed to carriers through the balance mechanism. In order to measure the actual amount accrued for the services provided during the year, the change in the Eurocontrol cost balance, for 2018 as well, was recorded on the basis of the amount incorporated in charges as provided for in the performance plan with respect to that reported in the 2018 budget presented by Eurocontrol and approved by the Eurocontrol Permanent Commission in the negative amount of €5,989 thousand. This amount is one of the components of the change in the en-route balance for 2018 compared with the previous year, which amounted to €28,460 thousand. The other change is mainly attributable to the traffic risk balance, not recognised in 2018, as the difference between en-route service units recorded during the year and the amount set out in the performance plan, was equal to -1.25% (-6.3% in 2017 for €17,232 thousand), a variation that falls within +/-2% band that is borne by the service providers. The balance for the year includes a negative €15,278 thousand in respect of the inflation balance (€13,491 thousand in 2017), reflecting the effects of the charging mechanism, which creates a knock-on effect as a result of its value starting from the first year of the performance plan (2015), and actual inflation of 1.2% (1.5% envisaged in the performance plan). The remaining positive €8,359 thousand includes, among other factors, a meteorological services balance of €190 thousand (€949 thousand in 2017) and the balance for the bonus related to the achievement of the plan target for en-route capacity in the amount of €6,859 thousand (€6,265 thousand in 2017), having posted 0.024 minutes of delay per assisted flight, compared with the target of 0.11 minutes per assisted flight set in the plan.

The use of the en-route n-2 balance associated with the use in the 2018 charges, and thus in profit or loss, of the balances recorded in previous years amounted to €54,668 thousand, an increase of €29,640 thousand compared with 2017, due to the increase in the amount of balances included in charges compared with the previous year.

Terminal revenues

Terminal revenues amounted to €222,580 thousand, an increase of 1.4% compared with the previous year, due to the increase in service units posted by the individual airports, divided by charging zones, which came to 5.1% overall (+3.1% in 2017 over 2016). This compensates for the reduction in charges applied in the three charging zones.

In particular, Charging Zone 1, represented by Rome Fiumicino airport, posted an increase in assisted air traffic, expressed in service units, of +5.7% (-3.5% in 2017 on 2016). This rise offset the 0.67% reduction in the terminal charge for 2018 to €187.30 (€188.57 in 2017). Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted an increase in assisted air traffic, expressed in service units, of +5.3% (+4.4% in 2017 on 2016), which offset the reduction of 3.28% in the terminal charge for 2018 to €203.06 (€209.95 in 2017). Charging Zone 3, which comprises 40 medium- and low-traffic airports recorded an increase in assisted air traffic, expressed in service units, of +4.8% (+6.1% 2017 on 2016), which largely offsets 11.11% reduction in the terminal charge for 2018 to €320.18 (€323.79 in 2017).

Considering terminal revenues including the exempt flights component, which decreased by €102 thousand with service units broadly unchanged compared with the previous year (-0.6% in 2017 over 2016), and the adjustment component for balances, which includes the portion recognised in 2018 including the effect of discounting, the portion recognised in previous years and included in charges in 2018 and, consequently, profit or loss for the same year, terminal revenues totalled €216,406 thousand, up €1,627 thousand on 2017, as shown below:

(thousands of euros)	**2018**	**2017**	**Change**
Terminal revenues	222,580	219,554	3,026
Terminal exemptions	2,627	2,729	(102)
Subtotal	*225,207*	*222,283*	*2,924*
Terminal balances for the year	(8,396)	(8,584)	188
Discounting of balances for the year	137	132	5
Use of terminal balances n-2	(542)	948	(1,490)
Subtotal	*(8,801)*	*(7,504)*	*(1,297)*
Total revenues from terminal operations net of balances	**216,406**	**214,779**	**1,627**

Terminal Balances amounted to a negative €8,801 thousand, an increase of €1,297 thousand compared with 2017, mainly due to the increase in the use of the balance recognised in previous years and included in the charge in 2018 and thus recognised in profit or loss. With regard to the terminal Balances for the year, an overall negative balance of €792 thousand (a positive €296 thousand in 2017) was posted by Charging Zone 1, with a balance of €122 thousand for traffic risk, reflecting the decrease of 2.42% in service units generated in 2018 compared with the performance plan forecast (-5.4% in 2017), a negative inflation balance of €1,065 thousand (€917 thousand in 2017) and a balance for the terminal capacity bonus of €86 thousand (€82 thousand in 2017). The Charging Zone 2 posted an overall negative balance of €5,775 thousand (a negative €3,712 thousand in 2017), mainly reflecting the traffic balance reimbursed to carriers for the greater assisted air traffic posted in the final accounts compared with the performance plan forecast (+7.0%), the negative inflation balance of €1,545 thousand (€1,334 thousand euro in 2017) and the capacity bonus of €133 thousand (€131 thousand euro in 2017).

Charging Zone 3 posted a balance for reimbursement, determined on a cost-recovery basis, of a negative €1,829 thousand (-€5,167 thousand in 2017), representing the change in actual revenues and costs with respect to the forecast amounts incorporated in the charge.

Revenues from non-regulated market amounted to €13,517 thousand (€14,346 thousand in 2017), a decrease of 5.8% compared with the previous year, mainly due to the completion of certain projects carried out on the foreign market, including the restructuring of the airspace in the United Arab Emirates, which generated revenues of €0.7 million (€3.4 million in 2017) and the training of Libyan controllers, which had generated revenues of €0.8 million in 2017. Revenues from the non-regulated market regard national and international radio-assistance services for a total of €2.6 million, training activities for €0.2 million and consulting activities, mainly on the foreign market, including: i) consulting for the Kuala Lumpur Air Traffic Control Centre in Malaysia for €2.6 million; ii) the construction of the new control tower at the Mitiga airport in Libya for €3.7 million and a new contract with the Libyan Civil Aviation Authority to modernise the control tower at Tripoli international airport, where operations are beginning.

The following table provides a breakdown of non-regulated market revenues by type of activity.

(thousands of euros)	**2018**	**2017**	**Change**	**%**
Revenues from non-regulated market				
Flight inspection	2,593	2,892	(299)	-10.3%
Aeronautical consulting	4,041	7,113	(3,072)	-43.2%
Technical and engineering services	5,622	2,146	3,476	162.0%
Training	248	1,079	(831)	-77.0%
Other revenues	1,013	1,116	(103)	-9.2%
Total revenues from non-regulated market	**13,517**	**14,346**	**(829)**	**-5.8%**

26. Other operating income

Other operating income amounted to €54,940 thousand, an increase of 20.4% compared with the previous year, attributable to both for European funding under Connecting Europe Facility (CEF) projects reported in 2018 and to the effects of the settlement of a number of outstanding positions suppliers.

(thousands of euros)	**2018**	**2017**	**Change**	**%**
Capital grants	9,098	9,731	(633)	-6.5%
Operating grants	30,864	30,224	640	2.1%
European funding	9,703	2,801	6,902	246.4%
Other revenues and income	5,275	2,861	2,414	84.4%
Total	**54,940**	**45,617**	**9,323**	**20.4%**

Capital grants refer to the recognition in profit or loss of part of the deferred income commensurate with the depreciation charges on the assets to which the grant refers, as discussed in Note 23.

Operating grants include €30 million in respect of the amount paid to the Parent Company under Article 11-*septies* of Law 248/05 to offset the costs incurred to guarantee the safety of its plant and operational safety. The remainder of €864 thousand refers to training funded by Fondimpresa.

European funding amounted to €9,703 thousand, an increase of €6.9 million compared with 2017, mainly reflecting the recognition in profit or loss of the 2014 and 2015 CEF projects funded at 50% and reported in July 2018, in the amount of €7 million. The item also includes the instalment of the SESAR 2020 project in which the Group is participating, as well as other minor projects completed during the year.

Other revenues and income came to €5,275 thousand, an increase of €2.4 million compared with the previous year. The rise reflected the capital gain on the Parent Company's sale of the Academy complex in Forlì for a total of €755 thousand, which as a result of the settlement of outstanding disputes with a number of suppliers for investment contracts terminated in previous years made it possible to pay only the appropriate consideration, with the simultaneous cancellation of the debt carried on the books.

The following table provides a breakdown of revenues for 2018 and 2017 by geographical area:

Revenues	2018	% of revenues	2017	% of revenues
Italy	888,407	98.8%	880,162	98.7%
EU	994	0.1%	782	0.1%
Non-EU	9,436	1.0%	10,610	1.2%
Total revenues	**898,837**		**891,554**	

(thousands of euros)

27. Costs for goods, services, leases and rentals and other operating expenses

Costs for goods, services, leases and rentals and other operating expenses totalled €143,243 thousand, a decrease of €5,697 thousand on the previous year, reflecting a general decline in the various cost items.

The following table provides a breakdown of those costs and changes for the year:

(thousands of euros)	**2018**	**2017**	**Change**	**%**
Costs for the purchase of goods	9,765	7,779	1,986	25.5%
Costs for services:				
Maintenance costs	20,824	20,498	326	1.6%
Costs for Eurocontrol fees	37,563	37,683	(120)	-0.3%
Costs for utilities and telecommunications	31,796	37,803	(6,007)	-15.9%
Costs for insurance	3,009	2,712	297	11.0%
Cleaning and security	4,606	4,830	(224)	-4.6%
Other personnel-related costs	10,090	9,821	269	2.7%
Professional services	8,833	9,977	(1,144)	-11.5%
Other costs for services	7,059	7,211	(152)	-2.1%
Total costs for services	**123,780**	**130,535**	**(6,755)**	**-5.2%**
Costs for leases and rentals	4,868	5,632	(764)	-13.6%
Other operating expenses	4,830	4,994	(164)	-3.3%
Total costs for services	**143,243**	**148,940**	**(5,697)**	**-3.8%**

Costs for the purchase of goods include costs incurred to purchase spare parts for plant and equipment used for air traffic control and the related change in inventories, as well as purchases of materials for the restructuring and modernisation of airports. The increase for the year is mainly attributable to the purchase of materials for the modernisation of airports and projects carried out abroad, including activities related to the contract with the Libyan Civil Aviation Authority.

Costs for services showed a net decrease of €6,755 thousand compared with the previous year and were associated with the following developments: i) a reduction in costs for utilities and telecommunications services of €6,007 thousand, comprising both the costs of the unified IP MPLS management network for the Group and lower costs obtained on new contracts signed following tenders, and for the data connections of the E-NET network as a result of the decommissioning of older circuits and a larger discount from the supplier; ii) a reduction of 4.6% in cleaning and security costs, due mainly to the termination of reception services contracts, effective from 1 September 2017, as those activities have now been insourced; iii) an increase of 2.7% in other personnel costs as a result of greater personnel travel expenses for participation in activities related to funded projects as well as the implementation of foreign contracts; and iv) a reduction of 11.5% in costs for professional services, mainly reflecting an decline in recourse to external professionals.

Costs for **leases and rentals** fell by €764 thousand compared with 2017, reflecting the termination of a number of Parent Company leases with the consequent transfer of some personnel to the new Rome Ciampino offices and some to a new building leased in May 2018 with smaller lease payments.

Other operating expenses amounted to €4,830 thousand, a decrease of 3.3% compared with the previous year. The costs include the loss on receivables from the writeoff of positions considered no longer recoverable, the capital losses on the decommissioning of technological equipment than can no longer be used and the costs incurred under Law 81/08 for training courses and inspections carried out during the year.

28. Personnel costs

Personnel costs amounted to €480,216 thousand, a small net increase of 0.4% on the previous year, as shown in the following table:

(thousands of euros)	2018	2017	Change	%
Wages and salaries, of which:				
Fixed remuneration	277,928	278,686	(758)	-0.3%
Variable remuneration	60,751	62,124	(1,373)	-3.4%
Total wages and salaries	**338,679**	**340,810**	**(2,131)**	**-0.6%**
Social security contributions	108,643	109,427	(784)	-0.7%
Employee severance pay	22,381	21,921	460	2.1%
Other costs	10,513	6,263	4,250	67.9%
Total personnel costs	**480,216**	**478,421**	**1,795**	**0.4%**

Wages and salaries totalled €338,679 thousand, a decrease of 0.6% compared with 2017, reflecting the following developments: i) a decrease in fixed remuneration of 0.3%, mainly due to the reduction of the Group's workforce by 67 in effective terms and 61 on average, which offset both the higher cost associated with the renewal of the bargaining agreement and the normal increase in remuneration as a result of automatic contractual mechanisms. At the end of the year, the Group's workforce numbered 4,114 (4,181 in 2017), with an average workforce of 4,182 (4,243 in 2017); ii) a net reduction of 3.4% in variable remuneration, reflecting a number of factors, including an increase in overtime for operational personnel due to the greater volume of air traffic handled during the year by the Parent Company, a reduction in the unused holiday entitlement as the use of holiday time exceeded the holiday entitlement accruing during the year, a reduction in costs for holidays falling on non-business days, a reduction in costs deriving from the harmonisation of the collective bargaining agreement for engineering workers at the Techno Sky subsidiary with the collective bargaining agreement for the air transport sector under agreements reached between the social partners, and an increase in the bonus accrued under the Performance Share Plan, whose second cycle for 2018-2020 was activated in November 2018.

Other costs increased by €4,250 thousand, mainly due to an increase in early retirement incentive costs for employees and managers recognised in 2018 compared with the previous year, totalling €6.3 million (€1.7 million in 2017), which involved a total of 55 employees compared with 9 in 2017. This increase was partly offset by a reduction in costs for employee health insurance thanks to the savings achieved with the new contract that took effect as from 1 January 2018.

The following table provides a breakdown of Group's workforce by professional category:

	2018	2017	Change
Executives	59	62	(3)
Middle managers	404	414	(10)
Office staff	3,651	3,705	(54)
Workforce at period end	**4,114**	**4,181**	**(67)**
Average workforce	**4,182**	**4,243**	**(61)**

29. Capitalised costs

Capitalised costs amounted to €31,101 thousand (€29,133 thousand in 2017), up 6.8% compared with the previous year. In addition to the costs for Group personnel involved in investment projects currently under way, these also included the internal investment projects carried out by the subsidiary Techno Sky, which also drew on external resources. The increase posted in 2018 reflects greater activity on investment involving: the installation of the new Milan Malpensa airport LAN, the transfer of approach control services for the airports of Olbia and Alghero to the Area Control Centre at Rome Ciampino, the modernisation and installation of airport meteorological systems compliant with ICAO amendments 74 and 75 at various airport sites, the development and integration of the 4-Flight system and the operational transfer of the airport meteorological services of the Rimini airport the Italian Air Force to the Parent Company.

30. Financial income and expense

Net financial expense totalled €3,192 thousand (€2,929 thousand in 2017), reflecting financial income of €3,970 thousand, financial expense of €7,350 thousand and foreign exchange gains of €188 thousand.

The following table provides a breakdown of financial income:

(thousands of euros)	2018	2017	Change	%
Income from investments in other entities	500	417	83	19.9%
Financial income from discounting of balances	1,037	2,531	(1,494)	-59.0%
Other interest income	2,433	1,023	1,410	n.a.
Total financial income	**3,970**	**3,971**	**(1)**	**0.0%**

Financial income was in line with the previous year, albeit with differing developments in the individual items, including a reduction in financial income from the discounting of Balances which in the previous year benefited from greater income in respect of receivables for Balances of Charging Zone 3, positions that were closed in compliance with Article 51 of Decree Law 50/2017, which granted the Parent Company €26 million to curtail rate increases for Charging Zone 3. By contrast, other interest income increased by €1,410 thousand due to legal interest collected by the Parent Company from the management company Valerio Catullo following the liens placed to recover receivables following the favourable ruling of the Court of Appeal. The item also includes interest income of €139 thousand accrued on the interest-bearing senior bridging loan granted by the subsidiary ENAV North Atlantic to Aireon, which was repaid in full in December 2018.

Income from investments in other entities was entirely accounted for by the dividend received from ESSP, in which the Parent Company holds a 16.67% interest.

Financial expense amounted to €7,350 thousand, an increase of €892 thousand compared with the previous year, reflecting higher interest expense on bank loans connected with the use of the second tranche of the EIB loan at the end of 2017 and the discounting of receivables recognised during the year for NOP funded projects and for the sale of the Academy complex, which will be collected in subsequent years.

The following table provides a breakdown of financial expense:

(thousands of euros)	2018	2017	Change	%
Interest expense on bank loans	2,614	2,088	526	25.2%
Interest expense on bonds	3,474	3,474	0	0.0%
Interest expense on employee benefits	696	729	(33)	-4.5%
Financial expense on derivatives at fair value	76	138	(62)	-44.9%
Financial expense on discounting of receivables	369	0	369	n.a.
Other interest expense	121	29	92	317.2%
Total financial expense	**7,350**	**6,458**	**892**	**13.8%**

31. Income taxes

Income taxes totalled €46,809 thousand, an increase of €4,554 thousand attributable to the increase in taxable income. IRES decreased by 13.4% reduction in reflection of the exemption from tax for the risk provisions used during the year but whose effect is recognised in deferred tax assets.

The following table provides a breakdown of current taxes:

(thousands of euros)	2018	2017	Change	%
IRES (corporate income tax)	30,979	35,755	(4,776)	-13.4%
IRAP (regional business tax)	7,910	7,392	518	7.0%
Taxes from previous fiscal years	(30)	(51)	21	-41.2%
Total current taxes	**38,859**	**43,096**	**(4,237)**	**-9.8%**
Deferred tax assets	8,764	(610)	9,374	n.a.
Deferred tax liabilities	(814)	(231)	(583)	n.a.
Total current tax and deferred tax assets and liabilities	**46,809**	**42,255**	**4,554**	**10.8%**

For more details on the recognition of deferred tax assets and liabilities, please see Note 11.

The IRES tax rate for 2018 was 19.2%, down from the 24.9% in 2017, reflecting the use of provisions taxed in previous years. This more than offset the increase in income before tax.

The IRAP tax rate for 2018 was 4.9%, broadly in line with the 5.1% in 2017.

(thousands of euros)	2018		2017	
	IRES	**%**	**IRES**	**%**
Income before taxes	161,199		143,753	
Theoretical tax	38,688	24.0%	34,501	24.0%
Effect of increases/(decreases) compared with ordinary taxation				
Non-deductible prior-period costs	133	0.1%	139	0.1%
IRES deduction of IRAP paid on personnel costs	(199)	-0.1%	(150)	-0.1%
Other	328	0.2%	17	0.0%
Temporary differences for taxed provisions	(7,971)	-4.9%	1,248	0.9%
Actual IRES	**30,979**	**19.2%**	**35,755**	**24.9%**

(thousands of euros)	2018		2017	
	IRAP	**%**	**IRAP**	**%**
Income before taxes	161,199		143,753	
Theoretical tax	7,705	4.78%	6,871	4.78%
Effect of increases/(decreases) compared with ordinary taxation				
Other	496	0.3%	(73)	-0.1%
Temporary differences for taxed provisions	(441)	-0.3%	454	0.3%
Financial income and expense	150	0.1%	140	0.1%
Actual IRAP	**7,910**	**4.9%**	**7,392**	**5.1%**

Other information

32. Segment reporting

For management purposes, the ENAV Group is organised in strategic units identified on the basis of the nature of the services provided and, for the purpose of financial reporting, has two operating segments, which are described below:

- **Air navigation services:** this operating segment coincides with ENAV, the Parent Company, whose core business is providing air traffic control and management services and other essential air navigation services in Italian airspace and at the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and upgrading the technology infrastructure of air navigation 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 infrastructure,* like the country's other logistics infrastructure, requires constant maintenance and continuous development to ensure safety, punctuality and operational continuity. This is clearly stated in the European Union's Single European Sky regulations, which 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 other two segments subject to monitoring.

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

2018

(thousands of euros)	Flight assistance services	Maintenance services	Other sectors	Consolidation adjustments/ reclassification	ENAV Group
Revenues from third parties	890,613	5,486	2,739	0	898,838
Intersegment revenues	1,931	93,957	0	(95,888)	0
Total revenues	**892,544**	**99,443**	**2,739**	**(95,888)**	**898,838**
Personnel costs	(421,176)	(59,037)	(19)	16	(480,216)
Other net costs	(178,933)	(24,226)	(1,335)	92,352	(112,142)
Total operating costs	**(600,109)**	**(83,263)**	**(1,354)**	**92,368**	**(592,358)**
Depreciation and amortisation	(140,329)	(485)	(13)	2,997	(137,830)
Writedowns and provisions	(4,154)	(105)	0	0	(4,259)
EBIT	**147,952**	**15,590**	**1,372**	**(523)**	**164,391**
Financial income and expense	(3,134)	(117)	58	1	(3,192)
Income before taxes	**144,818**	**15,473**	**1,430**	**(522)**	**161,199**
Income taxes	(41,883)	(4,706)	(375)	155	(46,809)
Net profit (loss) for the year	**102,935**	**10,767**	**1,055**	**(367)**	**114,390**
Total assets	**2,067,949**	**88,804**	**61,572**	**(172,643)**	**2,045,682**
Total liabilities	**928,051**	**57,388**	**3,472**	**(80,787)**	**908,124**
Net financial position	**(6,858)**	**2,068**	**2,832**	**0**	**(1,958)**

2017

(thousands of euros)	Flight assistance services	Servicing	Other sectors	Consolidation adjustments/ reclassification	ENAV Group
Revenues from third parties	886,618	1,737	3,199	0	891,554
Intersegment revenues	1,473	90,063	1,894	(93,430)	0
Total revenues	**888,091**	**91,800**	**5,093**	**(93,430)**	**891,554**
Personnel costs	(415,966)	(60,480)	(1,960)	(16)	(478,422)
Other net costs	(186,764)	(21,640)	(1,708)	90,305	(119,807)
Total operating costs	**(602,730)**	**(82,120)**	**(3,668)**	**90,289**	**(598,229)**
Depreciation and amortisation	(142,313)	(543)	(11)	2,807	(140,060)
Writedowns and provisions	(6,568)	(15)	0	0	(6,583)
EBIT	**136,480**	**9,122**	**1,414**	**(334)**	**146,682**
Financial income and expense	(2,715)	(143)	(69)	(2)	(2,929)
Income before taxes	**133,765**	**8,979**	**1,345**	**(336)**	**143,753**
Income taxes	(39,260)	(2,691)	(396)	92	(42,255)
Net profit (loss) for the year	**94,505**	**6,288**	**949**	**(244)**	**101,498**
Total assets	**2,030,486**	**77,461**	**58,723**	**(163,216)**	**2,003,454**
Total liabilities	**888,817**	**56,997**	**4,207**	**(66,532)**	**883,489**
Net financial position	**(120,271)**	**1,055**	**1,734**	**0**	**(117,482)**

33. Related parties

ENAV Group related parties were identified in accordance with the provisions of IAS 24 Related-party disclosures and are involved in transactions carried out in the interest of the Group, are part of ordinary operations and are settled on market terms and conditions unless otherwise indicated. On 12 December 2018, the Board of Directors of the Parent Company, having obtained a favourable opinion of the Control, Risks and Related Parties Committee, approved the "Procedure governing related-party transactions" carried out by the Company directly and/or through 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" approved with Consob Resolution no. 17221 of 12 March 2010 as amended.

The procedure, which is available on the website www.enav.it, sets out the criteria for identifying related parties, for distinguishing transactions of greater and lesser importance, for the procedural framework applicable to such transactions, as well as any mandatory notifications to be submitted to the competent bodies.

The following below report the balances of the income statement and statement of financial position resulting from Group transactions with related entities outside the Group, including those with directors, statutory auditors and key management personnel for 2018 and 2017, respectively.

	Balance at 31.12.2018							
	Trade receivables and other current and non-current assets	**Cash and cash equivalent**	**Financial liabilities**	**Trade payables and other current liabilities**	**Revenues and other operating revenues**	**Cost of goods and services and other operating costs**	**Costs for leases and rentals**	**Financial expense**
External related parties								
Ministry for the Economy and Finance	13,076	558	0	65,100	13,074	0	0	0
Ministry of Infrastructure and Transport	87,259	0	0	0	35,399	0	0	0
Enel Group	0	0	0	68	0	1,405	0	0
Leonardo Group	613	0	0	15,489	290	2,758	0	0
Poste Italiane Group	0	0	0	12	0	84	65	0
Other external related parties	0	0	0	107	56	399	3	0
Balance in financial statements	**351,804**	**316,311**	**14,924**	**257,448**	**979,525**	**138,375**	**4,868**	**7,350**
Related parties as % of balance in financial statements	28.7%	0.2%	0.0%	31.4%	5.0%	3.4%	1.4%	0.0%

(thousands of euros)

	Balance at 31.12.2017							
	Trade receivables and other current and non-current assets	Cash and cash equivalent	Financial liabilities	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for leases and rentals	Financial expense
External related parties								
Ministry for the Economy and Finance	13,932	558	0	59,882	13,929	0	0	0
Ministry of Infrastructure and Transport	33,397	0	0	0	37,390	0	0	0
Enel Group	0	0	0	122	0	1,286	0	0
Invitalia Group	0	0	1,664	0	0	0	0	71
Leonardo Group	576	0	0	20,489	150	2,584	0	0
Poste Italiane Group	0	0	0	3	0	60	66	0
Other external related parties	0	0	0	80	101	361	23	0
Balance in financial statements	**297,479**	**263,325**	**30,462**	**263,955**	**908,778**	**136,308**	**5,632**	**6,458**
Related parties as % of balance in financial statements	16.1%	0.2%	5.5%	30.5%	5.7%	3.1%	1.6%	1.1%

(thousands of euros)

The nature of the main transactions with external related entities, namely the Ministry for the Economy and Finance (MEF) and the Ministry of Infrastructure and Transport (MIT) and the entities subject to the control of the MEF is discussed below and detailed in the comments on the individual items of the financial statements in the notes to the financial statements:

- transactions with the MEF mainly involve receivables and revenue streams connected with 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 relating to the portion attributable to the Italian Air Force for en-route charges. Following approval of the ENAV financial statements, this payable is used to offset the receivable position. Cash and cash equivalents regard a bank account opened by the Parent Company with the Bank of Italy;
- transactions with the MIT regard receivable and revenue relationships associated with both an operating grant intended to cover the costs incurred by the Parent Company to ensure the safety of systems and operations pursuant to Article 11-*septies* of Law 248/05, and capital grants as part of the Infrastructure and Networks NOP recognised previously following the resolutions of the managing authority of the Networks and Mobility NOP and, since 2018, on the basis of agreements with the MIT registered with the Court of Auditors. Those grants are charged to profit or loss in an amount commensurate with the amortisation of the investments to which they refer;
- transactions with the Leonardo Group mainly regard activities connected with Parent Company investments, maintenance and the acquisition of spare parts for systems and equipment for air traffic control;
- transactions with Invitalia Group, which were eliminated during 2018, mainly regarded the loan agreement between the Parent Company and Banca del Mezzogiorno – Medio Credito Centrale S.p.A. for €10 million. The loan fell due on 31 May 2018 and was repaid in full;

- transactions with the Enel Group regard agreements for the supply of electricity for a number of sites activated beginning in the fourth quarter of 2018 following the termination of a previous agreement with another supplier;
- transactions with Poste Group regard the rental of equipment for hospitality purposes and shipping costs;
- transactions with other related parties contain residual positions.

Key management personnel comprise the ENAV CEO and four executives holding senior positions in the Group, appointed by the Board of Directors acting on a recommendation of the CEO following a meeting in September 2018, namely the Chief Financial Officer, the Chief Human Resources and Corporate Services Officer, the Chief Operating Officer and the Chief Technology Officer. The financial statements at 31 December 2017 reported the remuneration of the CEO, the General Manager, the Head of Administration, Finance and Control and the Head of Human Resources. The change in the key managers identified as related parties during the year reflects the Group's new organisational macrostructure approved by the Board on 27 July 2018, with a consequent modification of the names of units and organisational roles and the new functions of the Head of Human Resources, who is now the Chief HR and Corporate Services Officer. The changes that impacted key management personnel during 2018 were the termination of the employment relationship of the General Manager and the Head of Human Resources and two new appointments of key managers, namely the Chief Operating Officer and the Chief Technology Officer.

The remuneration of the Group's key management personnel, gross of pension and social security costs and contributions, is reported in the following table:

(thousands of euros)	**2018**	**2017**
Short/medium term remuneration	2,245	1,406
Other long-term benefits	0	0
Share-based payments	410	214
Total	**2,655**	**1,620**

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

(thousands of euro)	**2018**	**2017**
Board of Auditors	137	127
Total	**137**	**127**

For more details, please see the Remuneration Report prepared pursuant to Article 123-ter of the Consolidate Law.

The Parent Company participates in the Prevaer Pension Fund, which is the national supplementary pension fund for non-executive personnel working in the air transport and similar sectors. As provided for in Article 14 of the articles of association of the Prevaer Fund, whose corporate bodies are the delegated shareholders' meeting, the board of directors, the chairman and the vice chairman and the board of auditors, shareholder representation is based on the equal participation of workers' representatives and representatives of the participating businesses. The Fund's board of directors resolves, among other things, on the general criteria for risk sharing in investments as well as on investment policies, the selection of asset managers and the designation of the custodian bank.

34. Disclosures on the long-term incentive plan

On 28 April 2017, the ENAV S.p.A. Shareholders' Meeting approved the "*Long-term share-based incentive plan for the management of ENAV and subsidiaries*" and on 11 December 2017 the Rules the Plan, which governs the operation of the Plan, were approved, marking the start of the Plan's first cycle (2017-2019). The start of the second cycle for 2018-2020 was approved by the Board of Directors on 13 November 2018. The beneficiaries of the Plan are the CEO and a number of mangers selected from among those who hold positions with the greatest impact on the performance of the company or have strategic importance for the achievement of the Group's long-term objectives.

The Plan is structured into three cycles, each lasting three years, and provides for the free grant to the beneficiaries of rights to receive a variable number of ENAV S.p.A. ordinary shares subject to achieving specific performance targets for 2017-2019 (first cycle), 2018-2020 (second cycle) and 2019-2021 (third cycle). The target aggregates are cumulative EBIT, in total shareholder return (TSR) and cumulative free cash flow, because they represent the objective criteria for measuring the creation of value for the Group in the long-term.

The Plan envisages a three-year vesting period for all beneficiaries between the time of the grant and the vesting of the entitlement of the beneficiaries to receive the shares. Therefore, if the performance targets are achieved and the other conditions established by the Rules are satisfied, the shares vested in each cycle will be awarded and delivered to the beneficiaries no later than the 60th calendar day after the approval by the ENAV Shareholders' Meeting of the financial statements for the last year of the three-year vesting period.

The incentive plan also includes a lock-up period for a portion of any shares delivered to the beneficiaries, i.e. the CEO, key management personnel and the other managers identified.

The performance targets are composed of the following indicators:

- a market-based component (with a 40% weighting on assigned rights) related to ENAV's performance in terms of TSR compared with the peer group already identified by the Company;
- a non-market-based component (with a 60% weighting on assigned rights) related to the achievement of the cumulative free cash flow or EBIT targets.

With regard to the market-based component, the calculation method used is the Monte Carlo method, which, on the basis of appropriate assumptions, made it possible to define a large number of alternative scenarios over the time horizon considered. By contrast, the non-market-based component is not significant for the purpose of estimating the fair value at the time of the grant, but it must be updated at every reporting date to take account of the expectations for the number of rights that may vest based on the performance of EBIT and free cash flow compared with the Plan targets.

First cycle 2017-2019

To assess the first cycle of the Plan, it was assumed that the target was achieved, which resulted in 330,088 shares with an overall fair value of €1.4 million. The first cycle envisaged an initial 19 beneficiaries, of whom two have terminated their employment relationship during the year and participate on a pro-rated basis in the plan in accordance with the provisions of the implementing rules. The cost recognised for 2018 was €0.5 million, while the liability, recorded in a specific equity reserve, amounted to €0.9 million.

Second cycle 2018-2020

The target was also assumed to have been reached for the second cycle of the plan, with 242,434 shares and a total fair value of €0.9 million. The second cycle envisaged 10 beneficiaries and the cost recognised for 2018 was equal to €0.3 million, equivalent to the liability recognised in the specific equity reserve.

35. Derivatives

In 2016 the Parent Company obtained a derivative contract in order to hedge the exposure to an unfavourable impact of changes in the euro/AED exchange rate relating on future receipts in foreign currency from a two-year contract with the Abu Dhabi General Civil Aviation Authority (GCAA). The transaction 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-determined exchange rate, starting from a certain date and until the expiry date.

The fair value of the derivative was a positive €6 thousand at 31 December 2018. In accordance with IFRS 13, the mark-to-market value was adjusted to also take account of the effect of non–performance risk (CVA), i.e., the risk that one of the parties will not meet its contractual commitments as the result of a possible default. From an accounting perspective, the positive or negative fair value was recognised in current/non-current financial assets/liabilities based on the contractual maturity, with a matching entry in an 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). More specifically, from the financial perspective, the Credit Valuation Adjustment (CVA) is the expected value of the loss deriving from the default of the counterparty, if the derivative has a positive fair value. Conversely, a Debit Valuation Adjustment (DVA) represents the value of the expected loss on the default of the Company if the fair value is negative.

The contractual characteristics and the relative fair value at 31 December 2018, as indicated in bank communications, are listed below:

Counterparty	Transaction type	Date of contract	Inception date	Expiration date	Notional (thousands of AED)	Forward exchange rate	Forward value (thousands of euros)	MtM Bank (thousands of euros)
UNICREDIT	Sell AED (Flex)	22/11/2016	24/11/2016	27/06/2019	(2,727)	4.2300	(645)	7
Total							**(645)**	**7**

The fair value at the end of 2018 is reported in the following table, adjusted to take account of the Credit Valuation Adjustment:

Counterparty	Transaction type	Notional (thousands of AED)	Forward value (thousands of euros)	MtM	Credit Value Adjustment (CVA)	MtM CVA (thousands of euros)
UNICREDIT	Sell AED (Flex)	(2,727)	(645)	6	(0)	6
Total			**(645)**	**6**	**(0)**	**6**

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. Although quotes 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 measurements could be based.

Due to the substantive features of the derivative, it is classified as a hedging instrument. The information required under the IFRS on the instrument is given below:

Maturity analysis

Expiry	**UNICREDIT exchange rate derivative (euro/000)**
Up to 1 month	0
Between 1 and 3 months	0
Between 3 and 6 months	6
Between 6 and 12 months	0
Between 1 and 2 years	0
Between 2 and 3 years	0
Between 3 and 5 years	0
Between 5 and 10 years	0
More than 10 years	0
Total	**6**

Sensitivity analysis

Transaction type	Fair value (euro/000)	Sensitivity Analysis Delta equity Eur/FX +5% (euro/000)	Delta equity Eur/FX -5% (euro/000)
Forward sale (Unicredit)	6	(31)	34

36. Assets and liabilities by maturity

(thousands of euros)	Within the next financial year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0	32,565	4,596	37,161
Deferred tax assets	0	15,793	0	15,793
Non-current tax receivables	0	24,858	0	24,858
Non-current trade receivables	0	18,448	0	18,448
Other non-current receivables	0	22,110	0	22,110
Total	**0**	**113,774**	**4,596**	**118,370**
Financial liabilities	14,924	234,918	102,335	352,177
Deferred tax liabilities	0	4,074	0	4,074
Other non-current liabilities	0	26,374	146,113	172,487
Non-current trade payables	0	34,842	0	34,842
Total	**14,924**	**300,208**	**248,448**	**563,580**

Financial liabilities falling due after the 5th year refer to the bank loans commented on in detail in Note 40. Other non-current liabilities maturing in more than 5 years refer to the share of capital grants recognised in line with the depreciation of the investment projects to which they refer.

37. Guarantees and commitments

Guarantees regard sureties granted to third parties in the interest of the Group in the amount of €4,675 thousand (€3,582 thousand at 31 December 2017), an increase of €1,094 thousand attributable to sureties issued to secure foreign contracts.

38. Basic and diluted earnings per share

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

Share capital, which did not change during the year, is composed of 541,744,385 ordinary shares.

The table below summarises the calculation.

	2018	2017
Profit attributable to Parent Company shareholders	114,390,115	101,497,826
Weighted average number of ordinary shares	541,744,385	541,744,385
Basic Profit (loss) per share	0.21	0.19
Diluted Profit (loss) per share	0.21	0.19

39. Transparency in the system of government grants

Article 1, paragraphs 125 to 129, of Law 124/2017, the Annual Market and Competition Act, introduced a number of measures to ensure transparency in the system of government grants. These provisions were subsequently supplemented by Decree Law 113/2018 (the "Security Decree") and the Decree Law 135/2018 (the "Simplification Act"). Among the parties required to comply with these publicity and transparency obligations are companies that maintain economic relationships with government entities even if they are listed on regulated markets. In order to settle certain interpretation issues, also following the issue of a circular of the Ministry of Labour and Social Policies, on 22 February 2019 Assonime issued circular no. 5 "Transparency in the system of government grants: analysis of the regulations and interpretative guidelines".

The following table provides information on the government grants received in 2018 by the Group:

Grantor	Date of receipt	Amount	Description
Ministry of Infrastructure and Transport	27/11/2018	30,000	Operating grant to offset costs incurred by Parent Company to ensure safety of its plant and operating safety pursuant to Article 11-septies of Law 248/05
	N/A	0	Infrastructure and Networks NOP 2014-2020 / CAP 2007-2013
Total Ministry of Infrastructure and Transport		**30,000**	
Ministry of Education, Universities and Research		0	RPASInAir - Integration of Remotely Piloted Aeronautical Systems in unsegregated airspace
Total Ministry of Education, Universities and Research		**0**	
Total		**30,000**	

(thousands of euros)

40. Management of financial risks

In conducting its business, the ENAV Group is exposed to various financial risks such as market risks (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The management of these risks is based on the presence of specific internal committees, composed of the Group's top management, which are entrusted with providing strategic guidance and overseeing risk management and the policies that define the roles and responsibilities for the management processes, the structure of limits, the model of relationships and hedging and mitigation instruments.

Credit risk

The Group is exposed to credit risk, which is the risk that one or more commercial counterparties may become unable to honour all or part of their payment obligations. This risk mainly appears in respect of current trade receivables relating to operating activities, and particularly in connection with en-route services and terminal services, which represent the biggest exposure in the financial statements. These amounts mainly refer to receivables accrued in respect of carriers in relation to charges, for which Eurocontrol is the management and collection agent. In this context, leaving aside the intermediary role performed by Eurocontrol, which means that the receivables are formally presented in the financial statements and billed to this entity, measurement of the effective credit risk to which the Group is exposed is based on the counterparty risk in respect of each individual carrier for which the underlying receivables originally accrued. This is because Eurocontrol does not assume any credit risk with regard to the possible insolvency of carriers and it only settles its liabilities with the Parent Company after it has collected the

respective sums from the carriers. Eurocontrol will, however, take action to recover the receivables, initiating legal proceedings where necessary.
A specific provision for doubtful accounts is recorded in the financial statements against the risk of default by the Group's debtors in accordance with IFRS 9.

Liquidity risk

Liquidity risk is the risk that the Group, despite being solvent, might be unable to promptly meet the commitments associated with its financial liabilities, whether expected or unexpected, due to difficulties in obtaining financial resources, or that it will be able to do so only on unfavourable financial terms due to factors related to the perception of its risk by the market or during systemic crises such as, but not limited to, credit crunches and sovereign debt crises, or because it fails to comply with the covenants envisaged in certain loan agreements and the bond issue.
Although it does not have a cash pooling system, the Group's liquidity is largely managed and monitored by the Parent Company at a centralised level in order to optimise the overall availability of financial resources by performing a coordinating role for the other Group companies.
At 31 December 2018, the Group had €316.3 million in available cash, €33.9 million of financial instruments and €222.5 million in committed and uncommitted short-term lines of credit. More specifically, the uncommitted lines of credit include €26.5 million in current account overdrafts and €126 million in financial advances which can be drawn on without any constraints regarding their use. These lines of credit are subject to revocation and do not require compliance with either covenants or other contractual commitments. The committed line of credit amounts to €70 million (undrawn at 31 December 2018) with a three-year term (2017-2019). It does envisage compliance with covenants, including: i) a ratio of net financial debt to EBITDA of not more than 3; and ii) a ratio of net financial debt to shareholders' equity of not more than 0.7. ENAV also has an unused long-term line of credit of €70 million granted by the European Investment Bank (EIB).
In the longer term, liquidity risk is mitigated by a debt management strategy that diversifies the sources of financing in terms of both types of credit facilities and counterparties, with a view to meeting the Group's financial requirements and establishing a balanced debt maturity profile.
In compliance with the general guidelines established by top management and the policy approved by the Board of Directors, the Finance and Procurement unit defines the short- and medium/long-term financial structure and the management of the cash flows. The unit made decisions mainly aimed at: i) guaranteeing that adequate financial resources were available for planned short-term operating commitments, systematically monitored through cash planning activities; ii) maintaining a sufficient prudential liquidity buffer to deal with any unexpected commitments; iii) guaranteeing a minimum liquidity reserve level (financial assets and committed lines of credit) to ensure the coverage in full of short-term debt and the

coverage of medium-/long-term debt falling due over a time horizon of 24 months, even in the event of restrictions on access to credit; iv) ensuring an adequate level of flexibility for the Group's medium/long-term development projects, relating to investment contracts for the technology and infrastructure modernisation of flight assistance systems.

The Group's gross financial exposure at 31 December 2018 stood at €350.7 million and is represented by bank debt for medium/long-terms loans of €170.7 million and the exposure to holders of the bond issued on 4 August 2015 maturing on 4 August 2022, with a principal amount of €180 million.

The following table reports the due dates of the medium/long-term bank loans and the bond stated at the nominal value, excluding the effect of amortised cost measurement.

Lender	Type	Outstanding debt at 31.12.2018	<1 year	from 1 to 2 years	from 3 to 5 years	> 5 years
EIB - European Investment Bank	15-year loan	96,003	8,084	8,207	25,377	54,335
EIB - European Investment Bank	15-year loan	74,667	5,333	5,334	16,000	48,000
Bond		180,000	0	0	0	180,000
Total		**350,670**	**13,417**	**13,541**	**41,377**	**282,335**

(in thousands of euros)

The above loan agreements include general commitments and covenants for the Parent Company, some of which have negative provisions, which, although in line with market practices for loan agreements for similar amounts and types, could restrict operations. Specifically, these agreements envisage certain early repayment scenarios if certain events of default occur where the Parent Company could be obliged to repay the loans immediately in full.

Specifically, note the following:

- the loan agreements between the Parent Company and the European Investment Bank (EIB) for €180 million in 2014 and €70 million in 2016, which were entered into in order to fund investment projects associated with 4-Flight and other projects, in respect of which, at 31 December 2018, the Parent Company had used two tranches of the total loan equal to €180 million, with a repayment plan providing for the payment of equal semi-annual instalments from December 2018 until December 2029, with a fixed interest rate of 1.515%, for the tranche of €100 million, and from June 2018 to December 2032 with a fixed interest rate of 1.01% for the second tranche of €80 million, which include:
  - a negative pledge clause, i.e. a commitment by ENAV not to establish or allow the establishment of encumbrances on any of its assets, where encumbrances refer to any agreement or transaction relating to goods, receivables or cash used as an instrument to obtain credit or fund the acquisition of an asset;
  - a cross-default clause, which gives the EIB the right to demand early repayment of the loan if ENAV or any other Group company does not comply with the obligations under any loan or other financial transaction other than this loan agreement;

- a change of control clause, which gives the EIB the right to demand early repayment of the loan if any party or group of parties acting in concert obtains control or ENAV, or if the Italian Republic no longer retains control of the issuer.

The loans also require compliance with several financial covenants, verified on an annual or half-yearly basis and calculated using the Group's consolidated data: i) a ratio of gross financial debt to EBITDA of less than 3; ii) a ratio of EBITDA to financial expense of at least 6;

- the terms and conditions of the bond issued by the Parent Company in August 2015 in the amount of €180 million, paying interest at an annual gross fixed rate of 1.93% with bullet repayment of principal on 4 August 2022, include:
  - a negative pledge clause, namely a commitment by the Parent Company not to establish or provide guarantees or privileges on the debt to third-parties additional to those securing the bonds issued unless authorised by the bondholders' meeting;
  - a cross-default clause, which gives bondholders the right to demand early repayment of the bonds if ENAV or its subsidiaries do not comply promptly with the payment obligations of financial payables other than the bond in an amount of more than €15 million;
  - a change of control clause, which gives bondholders the right to demand early repayment of the bonds if a party other than the Italian Republic, its ministries (including the Ministry for the Economy and Finance) or entities or companies directly or indirectly controlled by it or its ministries, obtains control of the issuer.

The terms and conditions of the bond also require compliance with financial covenants, such as: a) a ratio of net financial debt to EBITDA of no more than 3; b) a ratio of net financial debt to shareholders' equity of no more than 0.7.

In previous years, the Parent Company has always complied with the covenants set out in each loan. At 31 December 2018, based on the figures for performance and financial position reported in the consolidated financial statements, it is felt that the covenants in the existing loan agreements have been complied with.

Interest rate risk

Fluctuations in interest rates affect the market value of the Group's financial assets and liabilities and the level of net financial expense. The occurrence of such variations could have an adverse impact on the performance and financial position of the Group.

During 2018 the Group extinguished its remaining floating-rate loans. At 31 December 2018 gross financial debt is therefore entirely at fixed rates and, as a result, increases in interest rates would not have a negative impact on the level of net financial expense reported in the income statement or on the value of future cash flows. In order to limit the potential adverse effects of interest rate fluctuations, the Group implements policies designed to contain the cost of funding over time, limiting the volatility of its results.

The Group pursues this goal by systematically negotiating with leading banks in order to optimise the average cost of debt, as well as through the strategic diversification of financial liabilities by type of contract, maturity and interest rate conditions (variable-rate/fixed-rate). In 2018, the average cost of bank debt was around 1.66%, essentially in line with the previous year.

At present, the Group does not hold financial instruments valued at fair value and as such exposed to adverse changes as a result of changes in the market level of interest rates.

At 31 December 2018, the ENAV Group's securities portfolio is managed on the basis of the "held to collect" business model. These financial assets, consisting of Italian government bonds (BTPs), generate contractual cash flows that involve solely the repayment of principal and interest and have been measured at amortised cost.

To date, no derivative financial instruments have been used to manage interest rate risk.

Foreign exchange risk

The Group's exposure to the risk of unfavourable changes in the current level of exchange rates due to its transactions in other currencies could have an adverse impact on its financial performance and the value of balance sheet items denominated in foreign currency. Although the Group operates primarily in the Italian market, it does have an exposure to foreign exchange risk deriving mainly from cash flows from investments denominated in foreign currency, mainly the US dollar, as well as from the purchase of the equity interest of 11.1% in the share capital of US company Aireon and, to a lesser extent, from contracts to provide non-regulated services denominated in foreign currency (mainly in Malaysian ringgit and United Arab Emirates dirham). In order to manage the exposure to foreign exchange risk, the Group has developed a policy whose guidelines provide for the use of different types of instruments, specifically swaps and forwards, as well as currency options. Speculative transactions are not permitted by this policy. Specifically, at the end of 2016, a hedge agreement for a foreign contract with the General Civil Aviation Authority of the United Arab Emirates was entered into in the form of a flexible forward with a notional amount corresponding to the value of the contract (around AED 19.6 million) and a forward exchange for the sale of currency (EUR/AED) of 4.23, as renegotiated in the second half of the year following an extension of the expiry.

The fair value of foreign exchange derivatives is measured on the basis standard market algorithms and on market quotes/contributions provided by leading public information providers. Note, however, that the risk resulting from the conversion of the assets and liabilities of ENAV subsidiaries that prepare their financial statements in functional currencies other than the euro is not usually hedged, unless a specific different assessment has been performed.

Litigation risk

Litigation regarding taxation, administrative, civil or labour matters is handled by the competent functions of the ENAV Group. For the purpose of preparing these financial statements, they have provided a comprehensive picture of the various civil, administrative and labour proceedings. The Group has performed a detailed assessment of the risk of unfavourable rulings in that litigation, which determined the need to prudentially set aside specific provisions for disputes whose adverse outcome has been deemed probable and where the amount could be reasonably quantified. Pursuant to the regulations governing the preparation of financial statements, no specific provisions have been recognised for proceedings for which an unfavourable outcome was considered merely possible.

Currently, we do not believe that the pending litigation could result in significant charges for the Group in excess of the amounts already provisioned for this purpose at 31 December 2018.

Civil and administrative litigation

The civil and administrative litigation includes: i) proceedings against suppliers and carriers that are insolvent, in bankruptcy or undergoing other insolvency proceedings, initiated in connection with the recovery of receivables that could not be settled out of court. A number of have been written down; ii) litigation involving defence against suits brought by suppliers or contractors that the Group considered to be groundless, or to recover of higher costs and/or losses that the Group incurred due to non-compliance of suppliers/contractors; iii) litigation involving claims on assets belonging to the Parent Company, claims for damages for the loss of assets transferred to the Company, or claims for payment or improvements to assets; iv) litigation relating to claims for losses caused by aeronautical accidents, for which the risk of an adverse outcome is normally borne by the insurers' of the Parent Company; v) proceedings challenging the procedures and outcomes of public tenders; vi) other circumstances such as a dispute involving claims for damages due to failure to acquire a unit belonging to another company and vii) a dispute closed in the early months of 2018 before the Supreme Court of Appeals (*Suprema Corte di Cassazione*) concerning a claim for damages for causing reputation harm and loss of opportunity to contest a shareholders' resolution to terminate the interim Board of Directors.

Criminal proceedings

The criminal proceedings against a former CEO for offences envisaged under Articles 319 and 321 of the Italian Criminal Code and complicity in the offence pursuant to Article 7, paragraphs 2 and 3, of Law 194/1975 and Article 4, paragraph 1, of Law 659/1981 and a former Company manager for alleged offences envisaged under Article 319 and 321 of the Criminal Code were ruled concluded due to expiry of the statute of limitations.

The defendants appealed that ruling and a hearing on the appeal has yet to be scheduled.

The criminal proceedings against the former Chairman of the ENAV Board of Directors, two former managers of ENAV and the top management of another company, as well as a former supplier of the subsidiary Techno Sky for alleged offences as envisaged under Articles 81, 319 and 321 of the Criminal Code concluded with the ruling of not being able to proceed due to the statute of limitations. The Parent Company is a civil plaintiff in the proceedings against the consultant of a former Minister for the Economy for the offences pursuant to Articles 110, 319 and 321 of the Criminal Code. The proceedings concluded with the conviction of the defendant. The defendant has appealed the ruling and a hearing has been scheduled before the Court of Appeal for December 2019.

There have been no developments in the criminal proceedings pending in the preliminary investigation phase of the criminal case against, among others, the top manager of a former building design company, the former Chief Executive Officer and director of ENAV and the top manager of an ENAV supplier's sub-contractor regarding the criminal offences envisaged under Article 110 of the Criminal Code, Article 7, paragraphs 2 and 3, of Law 195/1974 and Article 4, paragraph 1, of Law 659/1981 and the criminal offence envisaged under Article 8 of Law 74/2000 with specific regard to the subcontracts relating to the contract for the modernisation of the Palermo Airport.

The criminal proceeding established following the lawsuit brought by the Company with regard to the illegal removal of goods and materials belonging to ENAV which were stored at a third-party warehouse has been settled on appeal. In this proceeding the Company was a civil plaintiff against the director of the warehousing company for the criminal offence envisaged under Article 646 of the Criminal Code and, with a ruling handed down on 16 February 2015, the Court found the defendant guilty of, among other things, the offence pursuant to Article 646 and sentenced him for that and other offences he was accused of, to 6 years and 6 months of prison and a fine of €3,000. The Court also issued an immediately provisional executive order for €1 million to be paid to the Parent Company, referring the settlement of the losses incurred by Company to another forum. A ruling of nonsuit was handed down for only one of the charges, due to remission and acceptance thereof. Finally, with regard to the remaining charges, the defendant was acquitted as it was adjudged there was no case to answer. The subsequent appeal was ruled with the defendant being found guilty and the ruling in trial court in favour of the civil parties was upheld. An additional proceeding, in continuation of the investigations initiated by the Rome Public Prosecutor's Office is currently pending and aimed at ascertaining the individuals who were the final recipients of the merchandise stored in the aforementioned third-party warehouse in regard to the removal of which, as noted above, ENAV had initiated the claim. In these pending proceedings for multiple property offences and criminal association against the various defendants, including the director of the warehousing company, the Company was a civil plaintiff at the preliminary hearing and, upon conclusion, all the defendants were committed to stand trial.

In the criminal proceedings initiated by the Sassari Public Prosecutor, a preliminary hearing has been scheduled for May 2019 on the charges against, among others, the General Manager of ENAV for the offences envisaged under Article 589 of the Criminal Code, Articles 90, 93 and 157 of Legislative Decree 81/08, in relation to an accident that happened during extraordinary maintenance that resulted in the death of the director of the contracting company. The charges against the Chief Executive Officer were dismissed by the investigating magistrate. Another charge was brought under Article 25-*septies* of Legislative Decree 231/01 on the liability of companies was also brought (although ENAV was never formally notified), but this too was dismissed.

The proceeding initiated by the competent Public Prosecutor's Office against third parties, following the criminal complaint filed by ENAV for the offenses of illegal access to IT services, where the Company was a civil plaintiff, was concluded with the conviction of the defendants on all counts, in addition to the grant of a provisional award for damages to ENAV. The defendants subsequently appealed the ruling.

As regards the precautionary measures taken in the light of judicial events initiated in 2010-2011 in relation to the terminated contract signed between ENAV and the then Selex Sistemi Integrati (now Leonardo SpA) on 26 June 2009 for the modernisation of the Palermo Airport, and in particular the private agreement signed on 24 December 2012, the Company - after review by the Control, Risks and Related Parties Committee in accordance with the applicable procedure – reached an settlement of the matter in a manner fully protecting ENAV's interests.

Following an order of discovery notified in 2016, ENAV became aware of a subcontract between the supplier CPC, custodian of the civil works being performed by temporary grouping of companies for the modernisation of Parma Airport, granted in 2005 and terminated in 2013, and a construction company allegedly executing the aforementioned works. The Company's internal enquiry found that the subcontract was void and the findings were notified to Public Prosecutor's Office. There have been no further developments in the matter. In this regard, following all appropriate enquiries into the legal aspects, following prior review by the Control, Risks and Related Parties Committee in accordance with the applicable procedure, the Company reached an settlement of the disputes with Leonardo and Thales, the members of the temporary grouping of companies contracted to supply goods and materials, in a manner fully protecting ENAV's interests companies, with the sole payment of consideration considered in line with the value of the goods and materials.

Following a court order of discovery notified on 24 November 2016, the Company produced documentation concerning certain contracts involving the subsidiary ENAV North Atlantic. On the basis of available information, the investigation is pending before the Rome Public Prosecutor's Office, and the Company is not at present aware of any person under investigation or any official charge having been filed.

In response to an order of discovery, on 13 June 2018 ENAV produced documentation relating to the selection of a person related to the former Sole Director of the Company for the position of air traffic controller. On the basis of available information, the matter is being investigated by Public Prosecutor's Office of Rome.

41. Fees of the audit firm to Article 149-*duodecies* of the Consob Issuers Regulation

The fees for 2018 paid to the audit firm of the Parent Company, EY S.p.A., are summarised in the following table in accordance with the provisions of Article 149-*duodecies* of the Consob Issuers Regulation (thousands of euros):

Type of Service	Entity providing the service	2018
ENAV		
Auditing	EY S.P.A.	330
	Network EY S.P.A.	0
Certification services	EY S.P.A.	105
	Network EY S.P.A.	0
Other services	EY S.P.A.	2
	Network EY S.P.A.	0
ENAV subsidiaries		
Auditing	EY S.P.A.	128
	Network EY S.P.A.	10
Certification services	EY S.P.A.	2
	Network EY S.P.A.	0
Other services	EY S.P.A.	0
	Network EY S.P.A.	0
Total		***577***

The certification services provided by EY S.p.A. to ENAV mainly involved the certification of financed projects.

42. Events after the reporting date

On 28 February 2019, a capital increase was carried out for D-Flight S.p.A., a company created by ENAV to develop the U-space platform for the provision of Unmanned Aerial Vehicles Traffic Management (UTM) services, i.e. the management of so-called “drones”. The Parent Company has teamed up with Leonardo in partnership with Telespazio and IDS-Ingegneria dei Sistemi on the venture. Following the capital increase of €6.6 million, 60% of the capital of D-Flight is held by ENAV and 40% by Leonardo, Telespazio and IDS-Ingegneria dei Sistemi through the specifically formed company UTM Systems & Services Srl.

On 4 March 2019 the Parent Company signed an agreement for the acquisition of 100% of the Air Navigation division of IDS-Ingegneria dei Sistemi S.p.A. The division is responsible for developing software solutions in the areas of aeronautical information management and air traffic management. The Air Navigation division is headquartered in Italy and has other offices, mainly in Canada and Australia. Based on preliminary estimates for 2018, IDS's Air Navigation division had revenues of €24 million, with an expected EBITDA margin in line with that of the ENAV Group.

The agreement provides that 100% of the division should have a valuation, currently prior to the due diligence process, of 7.0x of 2018 EBITDA, and that the proposed acquisition will be financed by ENAV with available cash.

The terms of the agreement and the closing of the transaction, expected by the end of the summer of 2019, are subject to the successful outcome of the due diligence process, as well as to certain conditions and the issue of authorisations specified in the agreement, which will be envisaged or specified in the subsequent preliminary contract.

Certification of the Chief Executive Officer and the Financial Reporting Officer on the consolidated financial statements

Attestation of the Enav Group's consolidated financial statement for the year ended 31 December 2018 pursuant to art. 154-bis, paragraph 5, of Legislative Decree 58 of 24 February 1998 and art. 81-ter of CONSOB Regulation 11971 of 14 May 1999.

1. The undersigned Roberta Neri, as Chief Executive Officer, and Loredana Bottiglieri as Manager responsible for Enav SpA's financial reporting, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, hereby attest to:
   - the adequacy with regard to the nature of the Enav Group and
   - the effective application of the administrative and accounting procedures adopted in preparation of the Enav Group's consolidated financial statements during the period from 1 January 2018 to 31 December 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 consolidated financial statements was verified by assessment of the internal control system over financial reporting. This assessment was conducted on the basis of the criteria contained in the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* which represents an internationally-accepted *framework* for the internal control system;
   - the assessment of the internal control system over financial reporting did not identify any material issues.
3. We also attest that:

3.1 the Enav Group's consolidated financial statements for the year ended 31 December 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' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer and the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Rome, Italy
11 March 2019

Chief Executive Officer	Manager responsible for financial reporting
Roberta Neri	Loredana Bottiglieri

(This certification has been translated from the original which was issued in accordance with Italian legislation)

Independent Auditor's Report on the consolidated financial statements

Enav S.p.A.

Consolidated financial statements as at December 31, 2018

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Po, 32
00198 Roma

Tel: +39 06 324751
Fax: +39 06 32475504
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Enav S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Enav Group (the Group), which comprise the statement of financial position as at December 31, 2018, the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Enav S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

Key Audit Matter	Audit Response
Valuation of the goodwill Goodwill at December 31, 2018 amounts to Euro 66,5 million and it is entirely allocated to the CGU "Maintenance Services". The processes and methodologies for assessing and determining the value in use of the CGU are based on assumptions, sometimes complex, that for their nature require management's judgement, with particular reference to the forecasted future cash flows for the period covered by the financial plan 2018 - 2022, updated with the budget for 2019, the determination of the normalized cash flows used for the calculation of the terminal value and the determination of long-term growth rate and discount rates applied to the forecasted future cash flows. In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of the goodwill, we have determined that this area constitutes a key audit matter. The disclosures related to the assumptions and estimates used by the Company's management are included in note "5. Use of estimates and management judgements", while the disclosures related to the methodologies of execution of the impairment are included in note "8. Intangible assets".	Our audit procedures in response to the key audit matter concerned, among others, testing the CGU identification process and the allocation of assets and liabilities to the CGU, as well as the assessment of the forecasted future cash flows. In addition, the procedures performed included the verification of the consistency of future cash flows related to the CGU with the financial plan 2018 - 2022, updated with budget for 2019, the assessment of management's ability to make accurate projections, through the comparison of the actual results with the previous forecast and the assessment of the long-term growth rate and discount rate. In performing our procedures, we have leveraged the assistance of our experts in valuation techniques, who performed an independent recalculation of the recoverable value of the goodwill and sensitivity analysis of the key assumptions in order to determine any changes in assumptions that could have a significant effect on the valuation of the goodwill recoverable value. Lastly, we reviewed the disclosures provided in the notes to the financial statement regarding the valuation of goodwill.
Fair value measurement of Aireon LLC The Company presents the investment in Aireon LLC in its consolidated financial statements, under the line item investments in other entities, for Euro 60,1 million, which is measured at fair value. Management measured this investment as financial instrument categorized at level 3 of fair value hierarchy in absence of a quoted price in an active market. The processes and methodologies used for the measurement and valuation of the fair value of the investment are based on assumptions, sometimes complex, that for their nature require management's judgement, with particular reference to the appropriate use of the expected future cash flows prepared by the	Our audit procedures in response to the key audit matter concerned, among others, the analysis of the future cash flows prepared by the investee, also with reference to their consistency with the economic and financial plan for the development project of the investee, and the assessment of the long-term growth rate and the discount rate. In performing our procedures, we have leveraged the assistance of our experts in valuation techniques, in order to verify the methodology used in the process, the mathematical accuracy of the model and the reasonableness of the assumption used by the management for the fair

investee for its valuation assessment and the determination of the discount rate applied to the forecasted future cash flows. In consideration of the judgment required by management for the valuation assessment of the investment, we have determined that this area constitutes a key audit matter. The disclosures related to the valuation of the investment in Aireon LLC are included in note “5. Use of estimates and management judgements", while the disclosures related to the fair value measurement are included in note "9. Investments in other entities".	value measurement of the investment. Lastly, we reviewed the disclosures provided in the notes to the financial statement regarding the valuation of the investment in Aireon LLC.
Recognition and valuation of revenues – cd. Balance The policy for recognizing revenues from en-route and terminal services provides for positive or negative revenue adjustments recorded at the year-end in order to reflect the effective performance for the year; such revenue adjustments, performed through the “Balance” mechanism, are regulated through specific tariff mechanisms during the years following the current financial year. The processes and methodologies for measuring such revenue adjustments are based on complex calculation algorithms and assumptions that for their nature require management’s judgement, in particular with reference to the estimated recovery of the amounts in the financial years following the financial current financial year and the determination of the discount rate. In consideration of the complexity involved in estimating revenue adjustments from the Balance mechanism, we have determined that this area constitutes a key audit matter. The disclosures related to the revenues accounting policy and the measurement methodologies provided under the Balance mechanism are included in notes "4. Accounting standards" and "5.Use of estimates and management judgements".	Our audit procedures in response to the key audit matter concerned, among others, the understanding of the applicable legislation, the understanding and evaluation of the estimation methodologies used by the management, the assessment of the process for the determination of the Balance, the assessment of the discount rate assumed and the verification of the arithmetic correctness of the calculations performed by the management. Lastly, we reviewed the disclosures provided in the notes to the financial statements with reference to the measurement and accounting methodology of revenue adjustments provided under the Balance mechanism.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Enav S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Enav S.p.A., in the general meeting held on April 29, 2016, engaged us to perform the audits of the financial statements and the consolidated financial statements for each of the years ending December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Enav S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Enav as at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Enav Group as at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Enav Group as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Enav S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Rome, 26 March 2019

EY S.p.A.
Signed by: Mauro Ottaviani, partner

This report has been translated into the English language solely for the convenience of international readers.

ENAV S.p.A. FINANCIAL STATEMENTS

AT 31 DECEMBER 2018

ENAV S.p.A. Financial Statements at 31 December 2018

ENAV S.p.A. FINANCIAL STATEMENTS

Statement of financial position

ASSETS

(euros)	Notes	31.12.2018	of which related parties (Note 30)	31.12.2017	of which related parties (Note 30)
Non-current assets					
Property, plant and equipment	5	1,020,986,730	0	1,047,734,825	0
Intangible assets	6	55,796,859	0	57,773,445	0
Investments	7	147,121,418	0	147,071,418	0
Non-current financial assets	8	28,106,040	3,204,937	2,985,856	2,985,856
Deferred tax assets	9	9,074,324	0	18,059,202	0
Non-current tax receivables	10	23,164,181	0	23,164,181	0
Non-current trade receivables	11	18,447,628	0	88,173,706	0
Other non-current assets	14	22,109,549	22,109,549	0	0
Total non-current assets		**1,324,806,729**		**1,384,962,633**	
Current assets					
Inventories	12	60,983,431	0	60,968,545	0
Current trade receivables	11	264,340,989	43,299,395	281,986,985	44,059,627
Receivables from Group companies	13	22,590,529	22,590,529	18,392,809	18,392,809
Current financial assets	8	9,006,701	0	325,067	0
Tax receivables	10	16,867,159	0	15,164,950	0
Other current assets	14	60,442,488	35,149,610	10,430,572	3,396,681
Cash and cash equivalents	15	308,205,784	557,623	257,549,667	557,623
Total current assets		**742,437,081**		**644,818,595**	
Assets classified as held for sale	7	704,900		704,900	
Total assets		**2,067,948,710**		**2,030,486,128**	

Statement of financial position

SHAREHOLDERS' EQUITY AND LIABILITIES

(euros)	Notes	31.12.2018	of which related parties (Note 30)	31.12.2017	of which related parties (Note 30)
Shareholders' equity					
Share capital	16	541,744,385	0	541,744,385	0
Reserves	16	451,905,958	0	450,568,662	0
Retained earnings/(loss carryforward)	16	43,312,206	0	54,851,816	0
Profit/(loss) for the year	16	102,934,761	0	94,504,734	0
Total shareholders' equity		**1,139,897,310**		**1,141,669,597**	
Non-current liabilities					
Provisions for risks and charges	17	1,410,000	0	6,955,672	0
Severance pay and other employee benefits	18	35,475,338	0	37,703,262	0
Deferred tax liabilities	9	2,673,163	0	3,504,717	0
Non-current financial liabilities	19	337,252,863	0	350,670,193	0
Non-current trade payables	20	34,841,889	0	23,647,605	0
Other non-current liabilities	21	172,486,366	0	106,252,719	0
Total non-current liabilities		**584,139,619**		**528,734,168**	
Current liabilities					
Short-term portion of provisions for risks and charges	17	991,946	0	2,208,600	0
Current trade payables	20	120,318,758	15,136,236	124,984,355	20,031,257
Payables to group companies	13	56,384,836	56,384,836	45,151,552	45,151,552
Tax and social security payables	22	24,475,928	0	31,462,712	0
Current financial liabilities	19	14,923,767	0	30,461,827	1,663,703
Other current Liabilities	21	126,816,546	65,100,234	125,813,317	59,882,277
Total current liabilities		**343,911,781**		**360,082,363**	
Total liabilities		**928,051,400**		**888,816,531**	
Total shareholders' equity and liabilities		**2,067,948,710**		**2,030,486,128**	

Income statement

(euros)	Notes	2018	of which related parties (Note 30)	2017	of which related parties (Note 30)
Revenues					
Revenues from operations	23	917,115,850	13,181,292	859,202,353	14,014,570
Balance	23	(80,687,268)	0	(17,223,255)	0
Total revenues for contract with customers	23	*836,428,582*		*841,979,098*	
Other operating income	24	56,115,904	37,534,752	46,112,229	38,963,753
Total revenues		**892,544,486**		**888,091,327**	
Costs					
Costs for raw materials, supplies, consumables and goods	25	(3,533,156)	(679,346)	(3,222,727)	(543,703)
Costs for services	25	(176,084,272)	(68,879,114)	(183,756,181)	(69,449,763)
Personnel costs	26	(421,176,433)	0	(415,965,693)	0
Costs for leases and rentals	25	(2,122,983)	(67,952)	(2,767,197)	(89,382)
Other operating expenses	25	(4,640,967)	0	(4,607,761)	(58,058)
Capitalisation of costs	27	7,449,090	0	7,589,447	0
Total costs		**(600,108,721)**		**(602,730,112)**	
Amortisation and depreciation	5 and 6	(140,329,447)	0	(142,312,770)	0
Writedowns/(writebacks) for impairment of receivables	11	(6,591,015)	0	(7,269,977)	0
Writedowns/(writebacks) for impairment of property, plant and equipment and intangible assets	5	(819,475)	0	0	0
Provisions	17	3,256,378	0	701,733	0
Operating income		**147,952,206**		**136,480,201**	
Financial income and expense					
Financial income	28	3,834,480	75,088	3,996,850	71,671
Financial expense	28	(7,161,507)	0	(6,277,485)	(70,931)
Exchange rate gains (losses)	28	193,167	0	(434,487)	0
Total financial income and expense		**(3,133,860)**		**(2,715,122)**	
Income before taxes		**144,818,346**		**133,765,079**	
Income taxes	29	(41,883,585)	0	(39,260,345)	0
Profit (loss) for the year		**102,934,761**		**94,504,734**	

Statement of other comprehensive income

(euros)	**Notes**	**2018**	**2017**
Profit (loss) for the year	**16**	**102,934,761**	**94,504,734**
Other comprehensive income recyclable to profit or loss:			
- Fair value of derivative financial instruments	**8 and 16**	(78,266)	(1,095,239)
- Tax effect of the valuation at fair value of derivative financial instruments	**9 and 16**	18,785	262,857
Total other comprehensive income recyclable to profit or loss		*(59,481)*	*(832,382)*
Other comprehensive income not recyclable to profit or loss:			
- Actuarial gains/(losses) on employee benefits	**16 and 18**	1,161,909	54,583
- Tax effect of actuarial gains/(losses) on employee benefits	**9 and 16**	(278,858)	(13,100)
Total other comprehensive income not recyclable to profit or loss		*883,051*	*41,483*
Comprehensive Income		**103,758,331**	**93,713,835**

Statement of changes in shareholders' equity

(euros)	Share capital	Reserves: Legal reserve	FTA reserve	Sundry reserves	Reserve for actuarial gains/(losses) for employee benefits	Cash flow hedges	Total reserves	Retained earnings/(loss carryforward)	Profit (loss) for the year	Total shareholders' equity
Balance at 31 December 2016	**541,744,385**	**18,367,635**	**(3,044,940)**	**436,358,609**	**(7,180,726)**	**2,849,039**	**447,349,617**	**82,365,138**	**71,403,883**	**1,142,863,023**
Allocation of net profit from the previous year	0	3,570,194	0	0	0	0	3,570,194	67,833,689	(71,403,883)	0
Dividend distribution	0	0	0	0	0	0	0	(95,347,012)	0	(95,347,012)
Reduction in share capital	0	0	0	0	0	0	0	0	0	0
Long term incentive plan	0	0	0	439,751	0	0	439,751	0	0	439,751
Comprehensive income, of which:										
- Profit (loss) recognised directly in equity	0	0	0	0	41,483	(832,382)	(790,899)	0	0	(790,899)
- Profit (loss) for the year	0	0	0	0	0	0	0	0	94,504,734	94,504,734
Balance at 31 December 2017	**541,744,385**	**21,937,829**	**(3,044,940)**	**436,798,360**	**(7,139,243)**	**2,016,657**	**450,568,663**	**54,851,815**	**94,504,734**	**1,141,669,597**
Adoption of new standards	0	0	0	0	0	0	0	(337,953)	0	(337,953)
Balance at 1st January 2018	**541,744,385**	**21,937,829**	**(3,044,940)**	**436,798,360**	**(7,139,243)**	**2,016,657**	**450,568,663**	**54,513,862**	**94,504,734**	**1,141,331,644**
Allocation of net profit from the previous year	0	4,725,237	0	0	0	0	4,725,237	89,779,497	(94,504,734)	0
Dividend distribution	0	0	0	0	0	0	0	(100,981,153)	0	(100,981,153)
Purchase of own shares	0	0	0	(4,973,154)	0	0	(4,973,154)	0	0	(4,973,154)
Long term incentive plan	0	0	0	761,642	0	0	761,642	0	0	761,642
Comprehensive income, of which:										
- Profit (loss) recognised directly in equity	0	0	0	0	883,051	(59,481)	823,570	0	0	823,570
- Profit (loss) for the year	0	0	0	0	0	0	0	0	102,934,761	102,934,761
Balance at 31 December 2018	**541,744,385**	**26,663,066**	**(3,044,940)**	**432,586,848**	**(6,256,192)**	**1,957,176**	**451,905,958**	**43,312,206**	**102,934,761**	**1,139,897,310**

Statement of cash flows

	(euros)	Notes	2018	of which related parties	2017	of which related parties
A -	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**	**15**	**257,550**		**213,745**	
	Net cash flow generated/(absorbed) from operating activities					
	Profit (loss) for the year	**16**	102,935	0	94,505	0
	Amortisation and depreciation	**5 and 6**	140,329	0	142,312	0
	Net change in liabilities for employee benefits	**18**	(1,066)	0	(803)	0
	Loss on sale of property, plant and equipment and impairment of property, plant and equipment and intangible assets	**5**	1,108	0	1,189	0
	Other income/expense on non-monetary flows	**5 and 8**	(983)	(219)	1,145	308
	Provisions for risks and charges	**17**	(3,256)	0	(1,549)	0
	Provision for stock grant plans	**26**	762	0	440	0
	Net change of deferred tax assets and deferred tax liabilities	**9**	7,998	0	(792)	0
	Decrease/(Increase) in inventories	**12**	434	0	455	0
	Decrease/(Increase) in current and non-current trade receivables	**11**	89,929	761	7,892	(506)
	Decrease/(increase) in tax receivables and tax and social security payables	**10 and 22**	(8,689)	0	6,805	0
	Change in other current assets and liabilities	**14 and 21**	(49,007)	(26,534)	(43,309)	(43,778)
	Change in receivables and payables to group companies	**13**	7,035	7,035	7,149	7,149
	Change in other non-current assets and liabilities	**21**	44,122	(22,110)	(5,631)	0
	Increase/(Decrease) in current and non-current trade payables	**20**	(25,532)	(28)	(13,328)	(19)
B -	**TOTAL CASH FLOW FROM OPERATING ACTIVITIES**		**306,119**		**196,480**	
	of which taxes paid		**(40,659)**		**(36,003)**	
	of which Interest paid		**(3,610)**		**(3,634)**	
	Net cash flow generated/(absorbed) from investing activities					
	Investments in property, plant and equipment	**5**	(113,542)	0	(109,447)	0
	Investments in intangible assets	**6**	(6,707)	0	(8,338)	0
	Increase/(decrease) in trade payables for investments	**20**	31,897	(4,868)	19,659	(10,737)
	Sale of property, plant and equipment	**5**	4,500	0	0	0
	Decrease/(increase) in trade receivables for investments	**11**	(3,000)	0	0	0
	Equity investments	**7**	(50)	0	0	0
	Investments in financial assets	**8**	(33,893)	0	(4,491)	0
C -	**TOTAL CASH FLOW FROM INVESTING ACTIVITIES**		**(120,795)**		**(102,617)**	
	Net cash flow generated/(absorbed) from financing activities					
	New medium and long term loans	**19**	0	0	80,000	0
	(Repayments) of medium and long term loans	**19**	(28,996)	(1,664)	(31,333)	(3,310)
	Net change in long-term financial liabilities	**19**	41	0	220	0
	Bond issue	**19**	0	0	0	0
	Net change in short-term financial liabilities	**19**	0	0	0	0
	(Increase)/Decrease in current financial assets	**8**	241	0	(304)	0
	(Increase)/Decrease in non-current financial assets	**8**	0	0	(3,294)	(3,294)
	Purchase of own shares	**16**	(4,973)	0	0	0
	Change in share capital		0	0	0	0
	Dividend distribution	**16**	(100,981)	(53,803)	(95,347)	(50,890)
D -	**TOTAL CASH FLOW FROM FINANCING ACTIVITIES**		**(134,668)**		**(50,058)**	
E -	**Total cash flow (B+C+D)**		**50,656**		**43,805**	
F -	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+E)**	**15**	**308,206**		**257,550**	

NOTES TO THE FINANCIAL STATEMENTS OF ENAV S.p.A.

1. General information

ENAV S.p.A., a joint-stock company listed on the Mercato Telematico Azionario (MTA), was established in 2001 following the transformation with Law 665/1996 of the "Ente Pubblico Economico denominato Ente Nazionale di Assistenza al Volo" (the National Agency for Flight Assistance), a public enterprise, 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).

Since 26 July 2016, ENAV shares have been listed on the Mercato Telematico Azionario (MTA) organised and operated by Borsa Italiana S.p.A. and, at 31 December 2018, 53.28% the Company was owned by the Ministry for the Economy and Finance (MEF) and 46.50% by institutional and individual shareholders, with 0.22% being held by ENAV as treasury shares.

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

The Company's registered office is in Via Salaria 716, Rome and its operating facilities are located throughout the country.

ENAV holds significant controlling investments and, in compliance with IFRS 10, prepares consolidated financial statements, which are published together with these separate financial statements.

The financial statements were approved by the Board of Directors of the Company at its meeting of 11 March 2019, which also approved their dissemination. These financial statements have been audited by EY S.p.A. pursuant to Articles 14 and 16 of Legislative Decree 39/2010 by virtue of their appointment to conduct statutory audit activities for the 2016-2024 period by the Shareholders' Meeting on 29 April 2016.

2. Form and content of the financial statements

The separate financial statements of ENAV at 31 December 2018 were prepared in conformity with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations (IFRIC and SIC), endorsed by the European Union in accordance with the provisions of Regulation (EC) No. 1606/2002 as well as Legislative Decree 38 of 28 February 2005, which governed the application of the IFRS under the scope of Italian law.

"IFRS" refers to all the International Financial Reporting Standards, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Union and contained in the related EU Regulations published up to 11 March 2019, the date on which the ENAV S.p.A. Board of Directors approved the financial statements.

The accounting standards described below reflect the full operation of the ENAV Group in the foreseeable future, as it is assumed to continue operating as a going concern, and are in conformity with those applied in the preparation of the financial statements for the previous year, with the exception of the new standards discussed in section 4.

The financial statements were prepared and presented in euros, which is the functional currency of the ENAV Group. All the amounts in the tables in the notes and comments below are stated in thousands of euros, unless indicated otherwise.

The financial statements used and associated classification criteria adopted by the Company are indicated below under the scope of the options provided for in IAS 1 *Presentation of Financial Statements* and in conformity with the provisions of Consob Resolution No. 15519 of 27 July 2006 with regard to reporting the value of positions or transactions with related parties in the financial statements and, where applicable, the representation in the income statement of revenue and expense from significant non-recurring transactions or circumstances that do not occur frequently in regular operations. In 2018 there were no atypical or significant transactions requiring separate reporting. The following financial statements were used:

- *statement of financial position*, prepared by classifying assets and liabilities as current or non-current, with separate reporting, if present, of assets classified as held for sale and the liabilities included in a disposal group classified as held for sale or for distribution to shareholders. Current assets, which include cash and cash equivalents, are those that are intended to be realised, sold or consumed in the normal operating cycle of the Company or in the 12 months after the close of the year. Current liabilities are those which are expected to be extinguished in the normal operating cycle of the Company or in the 12 months after the close of the year.
- *income statement*, prepared by classifying operating costs by their nature. The figures for 2017 have been restated only to ensure comparability with the 2018 figures, which were determined in compliance with the new IFRS 15. The effects of the new standard were recognised in opening shareholders' equity at 1 January 2018 and the full retrospective approach was not adopted;
- *statement of other comprehensive income*, which, in addition to the result for the year taken from the income statement, includes other changes in shareholders' equity items, separated into items which will later be reclassified (recycled) to the income statement and those which will not;
- *statement of changes in shareholders' equity;*

- *statement of cash flows*, prepared by reporting cash flows from operations using the indirect method and by presenting net cash flows generated from operating, investing and financing activities.

The financial statements were prepared on a historic cost basis with the exception of financial statement items that must be measured at fair value.

Each item of the financial statements is compared with the corresponding figure for the previous year. As detailed in section 4 below, IFRS 15 and IFRS 9 have been applied for the first time with effect from 1 January 2018. In conformity with those standards, the corresponding figures for the previous year have not been restated, but the effects of first-time application have been recognised in shareholders' equity, as described in more detail in section 4

3. Accounting standards

The most important accounting standards and measurement criteria applied in the preparation of the financial statements are described below.

Property, plant and equipment

Property, plant and equipment is recognised at cost, net of accumulated depreciation and any impairment losses. The cost includes directly attributable ancillary costs incurred to prepare the asset for the use for which it was acquired. Cost incurred for major repairs or maintenance are recognised in the carrying amount of the equipment or machinery, where the recognition criterion is satisfied. All other repair and maintenance costs are recognised through profit or loss when incurred. In any event, the costs incurred after acquisition are recognised as an increase in the carrying amount of the item referred to if it is likely that the future benefits associated with the cost will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis, from the time the asset is available and ready for use, over the estimated useful life of the asset, which is reviewed annually. Any changes in the useful life will be made and applied prospectively. Depreciation takes account of any residual value of the assets. When the asset subject to depreciation is composed of separately identifiable parts whose useful life differs significantly from that of the other parts of the asset, each of these parts shall be depreciated separately, applying the component approach method.

The estimated useful lives of the main classes of property, plant and equipment are as follows:

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

The carrying amount of property, plant and equipment is checked to detect any impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recovered. If there is such evidence and if the carrying amount exceeds the recoverable value, the assets are written down and recognised at their recoverable value. The recoverable value of property, plant and equipment is represented by the higher of the asset's fair value less costs to sell and its value in use.

For an asset that does not generate largely independent cash flows, the realisable value is calculated in relation to the cash generating unit to which this asset belongs. Impairment losses are recognised in the income statement under the item writedowns and impairment losses. These impairments are reinstated if the reasons that generated them disappear, within the limits of the net carrying amount that the asset in question would have had if the writedown had not been made and if the depreciation had taken place.

At the time of the sale or when the future economic benefits anticipated from the use of an asset do not exist, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sale value and the carrying amount) is recognised through profit or loss in the year of the above-mentioned derecognition. Measurement shall take account of the provisions of IFRS 15.

Intangible assets

The intangible assets consist of identifiable non-monetary assets without physical substance that can be controlled and will generate future economic benefits. These assets are recognised at purchase cost or production cost, including any directly attributable ancillary costs necessary to prepare the assets for use, net of accumulated amortisation (with the exception of intangible assets with an indefinite useful life) and any impairment. The costs of intangible assets generated internally are not capitalised and are recognised through profit or loss in the year in which they are incurred.

Amortisation starts at the time the asset is available for use and is allocated systematically over its residual useful life.

The useful life of intangible assets may be finite or indefinite.

Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful life and undergo impairment testing if there is evidence of possible impairment. The residual useful life is reviewed at the end of each year or more frequently if necessary. Changes in the expected useful life or in the manner in which future economic benefits from the intangible assets flow to the Company are reflected by changing the period and/or method of amortisation and treated as changes in accounting estimates.

The gain or loss arising from the disposal of an intangible asset shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and they are recognised through profit or loss at the time of the disposal. Measurement shall take account of the provisions of IFRS 15.

Intangible assets with an indefinite useful life do not undergo systematic amortisation but rather undergo impairment testing at least once a year in order to identify any impairment losses, both at an individual level and at the level of the cash generating unit. Any change in the classification of an intangible asset from indefinite useful life to definite useful life is applied prospectively.

The Company does not recognise assets with an indefinite useful life. Intangible assets include rights to use intellectual property represented by licenses and software and other intangible assets with an estimated useful life of three years.

Inventories

Inventories, represented essentially by spare parts for air traffic control systems and equipment, are recognised at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula, which includes related ancillary costs. If inventories can no longer be used because they have become obsolete, they are written down through the provision for inventory losses, directly adjusting the value of the asset.

Investments

Investments in subsidiaries are recognised at purchase cost, including directly attributable ancillary costs, adjusted for any impairment losses, which are recognised through profit or loss. If the causes of impairment no longer exist, the value is restored up to the amount of the impairment loss recognised. Such writebacks are recognised through profit or loss.

Subsidiaries are all companies in which ENAV has the power to directly or indirectly determine their the financial and operating policies (relevant activities) in order to obtain the benefits resulting from their activities (variable returns), having the ability to exercise its power over them to affect the amount of the returns.

Investments in other entities are measured at cost adjusted for impairment because the fair value cannot be reliably calculated.

Financial assets

The new international accounting standard IFRS 9 took effect as from 1 January 2018, replacing IAS 39, which had been applied until the financial statements for the year ending 31 December 2017. The following discusses the methods for presenting financial assets in the financial statements at the time of initial recognition and subsequent measurement.

At the time of initial recognition, financial assets are classified, depending on the asset, using the following measurement methods: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of assets and on the business model that the Company uses for their management. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures financial assets at their fair value plus transaction costs in the case of financial assets not recognised at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the price of the transaction determined in accordance with IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). This assessment is referred to as the SPPI test and is performed at the level of the instrument.

The Company's business model for the management of financial assets refers to the way in which it manages its financial assets in order to generate cash flows. The business model is determined by whether the cash flows are derived from the collection of contractual cash flows, the sale of financial assets or both.

For the purposes of the subsequent measurement, financial assets can be classified into three categories in accordance with IFRS 9: i) financial assets at amortised cost (debt instruments); ii) financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses (debt instruments); and financial assets at fair value through profit or loss. The details of the financial assets applicable to the cases relevant to the Company are shown below.

Financial assets at amortised cost (debt instruments)

This category is the most relevant for the Company. ENAV measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and undergo impairment testing. Gains and losses are recognised through profit or loss when the asset is eliminated, modified or revalued. Within the financial statements, this category includes the following: current and non-current financial assets, current and non-current trade receivables and other current and non-current assets.

Trade receivables and other current assets that are not held on normal market terms and conditions and do not generate interest are discounted on an analytical basis using assumptions and estimates. Trade receivables that mature in accordance with normal business practice are not discounted. Trade receivables and other receivables are carried under current assets unless they will mature at more than twelve months from the reporting date, in which case they are classified under non-current assets.

The carrying amount of financial assets at amortised cost, which are not measured at fair value through profit or loss, is reduced using the new expected loss introduced with IFRS 9, applicable as from 1 January 2018. This model requires an assessment of expected losses based on the estimated probability of default, the percentage loss given default and credit risk. These assessment factors are determined using historical data, forward-looking information and information available from info providers.

For certain categories of financial assets at amortised cost, such as trade receivables and contract assets, the Company adopts the simplified approach to the new impairment model. This simplified approach is based on management of creditor positions by portfolio and on the division of receivables into specific clusters that take account of the specific nature of the business, the client's operating status, past due information and the specific regulatory framework.

If the amount of an expected loss recognised in the past should decrease and the decrease can be linked to an event that occurred after the recognition of the expected loss, it is reversed to profit or loss.

Financial assets are derecognised when the right to receive the cash flows of the instrument has expired or substantially all the risks and rewards of ownership of the instrument have been transferred.

Cash and cash equivalents

Cash and cash equivalents include cash, unencumbered bank deposits and other forms of short-term investments not exceeding three months that can readily be converted into cash. At the reporting date, current account overdrafts are classified as financial debt under current liabilities in the statement of financial position.

Derivative financial instruments

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

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The derivative financial instruments of ENAV are represented by forward contracts in currencies held to hedge exchange rate risk. At the inception of the hedge, the Company formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued, in line with IFRS 9.

As from 1 January 2018, the documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk and how the Company will assess whether the hedge relationship meets the hedge effectiveness requirements (including the analysis of the sources of hedge ineffectiveness and how the hedge ratio is determined). The hedge relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

At the date the contract is signed, derivative financial instruments are measured at fair value both at initial recognition and at each subsequent measurement. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivative instruments are classified as current or non-current depending on their expiry date and the Company's intention continue to hold or not to hold these instruments until expiry.

Having met the requirements described above, hedge accounting is applied to transactions undertaken to hedge the Company against exposure to the risk of variations in the cash flows associated with an asset, liability or highly probable forecast transaction. Accordingly, the portion of the gain or loss on the hedging instrument attributable to the effective portion of the hedge is recognised in other comprehensive income in a specific shareholders' equity reserve denominated the cash flow hedge reserve, while the ineffective portion is recognised directly in the income statement under other revenues and income or other operating costs.

The amounts recognised in other comprehensive income are later reclassified to profit or loss when the hedged transaction impacts profit or loss, such as, for example, as a result of a disposal or a writedown.

If the hedging instrument is sold, expires, is cancelled or exercised without replacement, or it no longer qualifies as an effective hedge of the risk for which the transaction was initiated, the portion of the cash flow hedge reserve relating to it is maintained until the effects of the underlying contract are manifested.

When a forecast transaction is no longer deemed probable, the gains profits or losses recognised in equity are reclassified immediately to profit or loss.

With reference to the calculation of fair value, ENAV operates in compliance with the requirements of IFRS 13 where such criterion is required by international accounting standards for recognition and/or measurement or in order to provide additional information with regard to specific assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value of instruments listed on public markets is given by their bid prices at year-end.

The fair value of unlisted instruments is measured using financial valuation techniques.

Financial assets and liabilities measured at fair value are classified in the three hierarchical levels described below, based on the type of information used in calculating the fair value. In particular:

Level 1: fair value calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

Level 2: fair value calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: fair value calculated using valuation techniques employing unobservable inputs for the asset or liability.

For assets and liabilities measured at fair value on a recurring basis, the Company determines whether there has been a transfer between the levels indicated above, identifying the level at the end of each accounting period as the lowest level input that is significant to the entire measurement.

Non-current assets held for sale

Non-current assets are classified as held for sale if the carrying amount will mainly be recovered through sale or liquidation rather than through continuing use.

This condition is considered to have been met when the sale or liquidation is highly probable and the non-current asset is held for immediate sale in its current condition to be completed within 12 months of the date it was classified as a non-current asset held for sale.

Non-current assets held for sale or liquidation are recognised in the statement of financial position separately from other assets.

Immediately before the classification as held for sale or liquidation, the assets are measured in accordance with the accounting standards applicable to them. Subsequently, the assets are measured at the lower of carrying amount and fair value.

Financial liabilities

The new international accounting standard IFRS 9 took effect as from 1 January 2018, replacing IAS 39, which had been applied until the financial statements for the year ending 31 December 2017. The following discusses the methods for presenting financial liabilities in the financial statements.

Financial liabilities are classified at the time of initial recognition under financial liabilities at fair value through profit or loss, loans and receivables, or derivatives designated as hedging instruments. All financial liabilities are initially recognised at fair value, plus, in the case of loans and payables, any transaction costs directly attributable to them. The Company's financial liabilities include trade payables and other liabilities and loans.

The subsequent measurement of financial liabilities depends on their classification, as described below.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include liabilities held for trading and financial liabilities initially recognised at fair value through profit or loss. Liabilities held for trading are all those assumed with the intent of extinguishing them or transferring them in the short term.

Financial liabilities are designated as at fair value through profit or loss from the date of initial recognition only if the criteria for such recognition set out in IFRS 9 are met. At the time of initial recognition, the Company has not designated any financial liabilities as at fair value through profit or loss.

<u>Loans and receivables</u>

This is the most relevant category for the Company. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised through profit or loss when the liability is extinguished as well as through the process of amortisation.

Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is reported under financial expense in the income statement.

Payables and other financial liabilities are classified as current liabilities except when the contract will expire more than twelve months after the reporting date, in which case they are classified as non-current liabilities.
Financial liabilities are derecognised when they are extinguished, or when the obligation specified in the contract is discharged.

Employee benefits

Employee benefits are all forms of consideration paid by the Company for service rendered by employees.
Short-term employee benefits are represented by wages, salaries, social security contributions, indemnities in lieu of holidays and incentives paid in the form of a bonus payable within twelve months of the reporting date. These benefits are accounted for as components of personnel costs in the period in which the service was provided.
Post-employment benefits are divided into two types: defined-benefit plans and defined-contribution plans. Defined-benefit plans are plans under which the employer is committed to paying the necessary contributions sufficient to guarantee the payment of fixed future pension benefits to employees, with the employer assuming the actuarial risk.
Since the amount of the benefit to be paid can only be quantified after the termination of the employment relationship, the related financial effects are recognised on the basis of actuarial calculations performed in conformity with IAS 19. Defined-contribution plans are plans whereby the employer pays fixed contributions into a fund. The obligation of the employer is extinguished with the payment of contributions to the fund and the actuarial risk is borne by the employee. In defined-contribution plans, the contribution costs are recognised in profit and loss when they are incurred at their nominal value.
Employee severance pay (Italy's *trattamento di fine rapporto* system, or TFR) due to employees pursuant to Article 2120 of the Italian Civil Code accrued up to 31 December 2006 is treated as a defined-benefit plan, while severance pay accrued with effect from 1 January 2007, in compliance with Law 296 of 27 December 2006, has been credited to supplementary pension funds or the treasury fund established by INPS (Italy's National Social Security Institute) on the basis of the implicit and explicit choices made by employees. The liability is projected to the future using the projected unit credit method in order to calculate the probable amount to be paid at the time of termination of employment, and is then discounted to take account of the time that will elapse before the effective payment. The liability recognised in the financial statements is based on the conclusion reached by actuaries external to ENAV. The calculation takes account of the severance entitlement accrued for service already rendered and is based on actuarial assumptions mainly comprising: demographic factors (such as employee turnover and mortality) and financial factors (such as the inflation rate and the discount rate for maturities consistent with the expected date of termination). The value of the liability recognised in the financial statements is, therefore, in line with the actuarial

measurement, and actuarial gains and losses resulting from the calculation are allocated directly to shareholders' equity under other comprehensive income in the period in which they arise, taking account of the related deferred tax effects.
The severance pay due to employees pursuant to Article 2120 of the Italian Civil Code accrued since 1 January 2007 and mandatorily credited to a supplementary pension fund or to the treasury fund at INPS is considered a defined-contribution plan. These plans are managed by third-party fund managers, in relation to which the Company has no obligations and to which the Company pays contributions with the contribution costs recognised through profit or loss when they are incurred at their nominal value.
Termination benefits are paid to employees for termination of the employment relationship are recognised as liabilities when the company decides to end the employment relationship with an employee or a group of employees before the normal retirement date, or when an employee or a group of employees decides to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised immediately under personnel costs.

Long-term share-based incentive plan

Long-term share-based incentive plans, in conformity with IFRS 2, are a component of remuneration for the beneficiaries involving payment in the form of equity instruments (equity-settled share-based payment transaction). The cost of such plans is represented by the fair value of those instruments calculated at the grant date, and it is recognised under personnel costs over the period between the grant date and the vesting date, with a matching entry in the stock grant reserve under shareholders' equity. The overall estimated amount is deferred over the vesting period, and personnel costs and the corresponding increase in equity are periodically recognised as a portion of the estimated amount.
The estimated cost should be reviewed during the vesting period if subsequent information indicates that the number of instruments that will vest at the end of the vesting period will differ from the original estimates. The change in the estimate will, if necessary, be recognised as an adjustment in the stock grant reserve, with a matching entry in personnel costs.

Provisions for risks and charges

Provisions for risks and charges are recognised for losses and charges that an entity will certainly or probably incur but whose amount and/or timing are uncertain. Provisions are only recognised when there is a current obligation (legal or constructive) arising from a past event, the settlement of which is expected to result in an outflow of resources to discharge the obligation, and when it is possible to reliably estimate the amount.
Where the effect of the time value of money is material and the payment dates of the obligations can be reliably estimated, the provisions are discounted using a pre-tax discount rate that reflects current market

assessments of the time value of money and the risks specific to the liability. When the provision is discounted, the periodic adjustment of the fair value associated with the time value of money is reflected in profit or loss as financial expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised as a separate asset when it is virtually certain that reimbursement will be received.

Changes in the estimates for provisions are recognised in profit or loss in the period in which the change takes place and produce an increase in liabilities. Reductions in estimates are recognised in liabilities up to the carrying amount and any excess is recognised through profit or loss under the same item they refer to.

The amounts recognised in the provision for risks and charges are separated into current and non-current amounts based on when the liability is expected to be paid or extinguished.

Risks for which the recognition of a liability is only possible are disclosed in a specific section on contingent liabilities and no provision is made.

Grants

Operating grants are recognised in the year in which the right to receive them becomes reasonably certain, irrespective of the date they are received.

Government capital grants are recognised if the grantor has made a formal award decision and only if, based on information available at year-end, it is reasonable certain that the project for which the grant is being made will actually be carried out and that the grant will be received. Government capital grants are recognised in a dedicated item under current and non-current liabilities, depending on the timing of their disbursement and they are reversed to the income statement as income at constant rates calculated with reference to the useful life of the asset to which the grant directly refers, thereby ensuring a correlation with the depreciation charges for those assets.

Revenue from contracts with customers

Revenues are recognised at the fair value of the consideration received or receivable, net of discounts and rebates, and are recognised when the entity satisfies a performance obligation to transfer a good or a service to a customer. The transfer takes place when the customer obtains control of the good or service, i.e. when the customer has the ability to direct its use and obtain substantially all the benefits. Control can be transferred at a certain point in time or over time, assessing the transfer using appropriate methods for measuring progress (output and/or input methods)

The transaction price also considers (using the expected value and/or most likely amount methods) variable components of the consideration when it is highly probable that there will not be a significant reversal of the revenue in the future. Transactions are also adjusted to take into account the time value of money.

The above methods of accounting for revenues took effect as from 1 January 2018 with the adoption of IFRS 15. Please see to the section "Impact of the adoption of the new accounting standards applicable from 1 January 2018".

The introduction of the new standard has had a marginal impact (impact on Group shareholders' equity, including deferred tax liabilities, was €3 thousand), recognised at first-time adoption, among services provided on the non-regulated market, limited to certain over-time contracts for which the associated progress was measured, while the new standard had no impact on regulated market revenues. The Group's revenues are summarized below, broken down by nature:

- regulated market: two separate performance obligations to satisfy over time in the context of en-route and terminal streams. Progress is measures using the output method based on service units generated in en-route and terminal services and Balances represent the variable consideration, appropriately adjusted to take account of the time value of money;
- non-regulated market: non-core revenues are broken down by type of transaction: flight inspection, aeronautical consulting, technical and engineering services, training and other revenues. Revenues typically recognised over time are limited mainly to aeronautical consulting services.

Balances – Revenue from contracts with customers

The countries that belong to Eurocontrol used an en-route charging system until 31 December 2011 known as cost recovery. This system is based on the concept that the amount of revenues was commensurate with the value of the costs incurred for en-route air navigation control services. By virtue of this principle, the charges were kept at the value that made it hypothetically possible to achieve break-even. At the end of the year, if revenues were higher than costs a negative Balance (over-recovery) would be generated, which would give rise to an adjustment in the income statement for the greater revenues and the recognition of a balance payable. If, on the other hand, revenues were lower than the costs incurred, greater revenue would be recognised in the income statement and a positive Balance receivable recorded (under-recovery). In compliance with the cost-recovery principle, the balance therefore represented the result of the correction mechanism used to adjust the amount of revenues to the effective billable costs incurred. The effects of this mechanism were reflected for rate purposes starting from the second year after the reference year and taken to profit or loss with the opposite sign of the balance recognised.

From 1 January 2015 this cost-recovery mechanism applied exclusively to terminal Charging Zone 3.

With effect from 2012 and following the entry into force of the system for the provision of en-route air navigation services, in accordance with EU regulations on the European Single Sky, a new management system was introduced based on the measurement and optimisation of operating and financial performance, with the consequent abandonment of the cost-recovery system. The instrument for the implementation of the performance scheme is the National Performance Plan, approved for 2015-2019 (the second reference period), in which the actions and targets to be achieved in the reference period are set out. These efficiency targets involve the introduction of risk elements to be borne by providers, and therefore ENAV, with regard to both traffic and costs. Specifically, the traffic risk mechanism involves the sharing of traffic risk between providers and airspace users, where positive and negative changes of up to 2% in actual traffic compared with planned traffic are totally the responsibility of providers, while changes of between 2% and 10% are shared, with 70% borne by the airlines and 30% by the providers. The cost-recovery methodology applies for variations of more than 10%. Under the rules described previously, any positive or negative divergence associated with traffic risk generates an adjustment to en-route revenues using the item “Balance charge adjustment for the year”. The receivable and payable components of the balance, whether current or non-current, are classified under current and non-current trade receivables in the manner of contract assets/liabilities consistent with IFRS 15. The associated receivables/payables in respect of the balance are identified separately in the explanatory notes.

With regard to cost risk, the possibility of transferring in full any differences between planned amounts and the actual figures at the end of the year was eliminated. These divergences, whether negative or positive, are borne by providers.

Since 2015, these European rules also apply to terminal services, which have been incorporated in the performance plan using different methods depending on the charging zone. In effect, terminal charges are divided into three charging zones:

- zone 1, which includes airports with more 225,000 movements per year, to which the cost risk and traffic risk mechanisms apply in the same manner as en-route services;
- zone 2, which includes airports with between 225,000 and 70,000 movements per year, to which only the cost risk mechanism applies;
- zone 3, which includes airports with fewer than 70,000 movements per year and are excluded from the EU performance plan, to which the cost-recovery mechanism applies.

Under the rules described above, any positive or negative difference generates an adjustment to terminal revenues using the item “Balance charge adjustment for the year”.

For both terminal services and en-route services, the “Balance charge adjustment for the year” item makes it possible to represent the volume of revenues corresponding to the performance effectively delivered during the reference period, which, as a result of the nature of the specific charging mechanisms, can only be settled ex post. In other words, the reductions or increases in revenues make it possible to recognise revenues for the reference period at the fair value of the consideration accrued as a result of the performance achieved.

The “Balance charge adjustment for the year” will only be reflected in charges at least two years later, while in the year ending the receivable/payable balance recognised in profit or loss through the item

“Balance utilisation” is the amount recognised at least two years earlier and included in the charge for the year.

Bearing in mind that the recovery of asset and liability Balances is deferred time and takes place on the basis of the plans to recovery Balances through charges, in accordance with IFRS 15, the Company takes account of the time value of money in measuring those revenues, discounting them at the average interest rate at which it raises financial resources on the non-regulated market.

The adjustment is made to reduce the balance receivable/payable item to which it refers and to reduce revenues for the year. The portion of the interest income accrued in the period is recognised in profit or loss in subsequent years.

If the balance recovery plans are changed, ENAV adjusts the value of the balance receivable/payable in order to reflect the effective and recalculated estimated cash flows. The carrying amount is therefore recalculated by computing the present value of the future cash flows recalculated by applying the original interest rate. The resulting difference, in addition to adjusting the value of the balance receivable/payable, will be recognised through profit or loss under financial items. As it involves a revision of the estimates after obtaining new and more complete information, the change in balance recovery plans does not involve the adjustment of Balances for previous financial statements but it does require the prospective application of the changes.

With regard to revenue flows attributable to the regulated market, two distinct performance obligations have been identified, consisting of flight assistance services and terminal assistance services: both performance obligations are satisfied over time and satisfaction of the obligations is measured in terms of output, represented by the service units assisted. The balance, limited to the amount recognised in the year, represents the variable consideration considered in the transaction price of each performance obligation, attributable to the services provided within the route and terminal streams, making it possible measure the actual value of the performance delivered to customers. The balance also includes a significant financing component, with a time horizon of more than 12 months. For this reason, the Company adjusts the transaction price to take account of the time value of money. The receivables and payables for Balances, limited to the amounts recognised in the year, represent variable consideration, or contract assets/liabilities, which will be incorporated in charges in the future. The receivables and payables for Balances included in charges for the year represent the draw-down at the time of invoicing of the contract assets/liabilities mentioned above. These contract assets/liabilities are classified under current and non-current trade receivables/payables, and are reported separately in the explanatory notes

These methods for recognising revenues have been aligned to ensure compliance with IFRS 15, which has been in effect as from 1 January 2018. Please see the section “Impact of the adoption of the new accounting standards applicable from 1 January 2018”.

Dividends

Dividends received from investments in other entities are recognised through profit or loss at the time at which the unconditional right of shareholders to receive the payment, which is normally the resolution of shareholders' meeting authorising the distribution of dividends, is established.

Costs

Costs are recognise when they involve goods and services sold or consumed in the year or through systematic allocation over a longer period until no future utility can be identified.

Costs are recognised in profit or loss at the same time as the decrease in the economic benefits associated with a reduction in an asset or an increase in a liability if this decrease can be reliably calculated and measured.

Financial income and expense

Financial income and expense is recognised on an accrual basis on the basis of the interest accrued on the net value of the associated financial assets and liabilities, using the effective interest rate and, where applicable, the legal interest rate. The effective interest rate is the rate which exactly discounts estimated future payments or collections over the expected life of the financial instrument, or where appropriate a shorter period, to the net carrying amount of the asset or liability. Interest income is measured to the extent that it is likely that the economic benefits will flow to the Company and the amount can be reliably measured.

Income taxes

Current IRES (corporate income tax) and IRAP (regional business tax) taxes are calculated on the basis of the best estimate of taxable income for the year and in conformity with the tax regulations in force, applying the tax rates in force. The payable for current taxes is recorded in the statement of financial position net of any pre-paid taxes.

Deferred tax assets and liabilities are calculated in respect of all temporary differences that emerge between the values recognised in the financial statements and the corresponding values calculated for tax purposes, applying the tax rate in force at the date on which the temporary difference will reverse, as determined on the basis of the tax rates set out in applicable regulations or essentially in force at the reference date. Deferred tax assets for all temporary differences that can be deducted in future years are recognised when their recovery is likely, or if it is expected that sufficient taxable income will be generated in the future to recover the assets. Deferred tax liabilities are recognised for all future taxable temporary differences unless this liability results from: i) the initial recognition of goodwill; ii) the initial recognition of an asset or a liability in a transaction that does not represent a business combination and which at the time of the transaction does not affect either the accounting profit, income or taxable income (tax loss).

Current taxes, deferred tax assets and deferred tax liabilities are recognised through profit or loss, with the exception of those relating to items directly debited or credited to components of other comprehensive income, which are recognised in equity. In such cases the tax effect is directly attributable to the components of other comprehensive income in equity.

Deferred tax assets and liabilities in respect of taxes levied by the same taxation authority are offset if there is a legally enforceable right to set off the current tax assets against the current tax liabilities generated at the time of their reversal.

Deferred tax assets and liabilities are classified under non-current assets and liabilities, respectively.

Taxes and duties not related to income are recognised in the income statement under other operating costs.

Related parties

Related parties are identified by ENAV in accordance with IAS 24. Generally speaking, related parties refer to parties that share the same controlling entity with the ENAV, companies that directly or indirectly exercise control, are controlled, or are subject to the joint control of the Company and those in which the latter holds a stake whereby it can exercise considerable influence. The definition of related parties also includes those entities that manage post-pension benefit plans for employees of the Company or related companies, as well as members of the Board of Auditors and their immediate family, key management personnel (including directors) and their immediate family, of ENAV and companies controlled directly or indirectly by the latter.

Related parties refer to entities controlled by ENAV. External related parties include the supervising Ministry, namely the Ministry of Infrastructure and Transport (MIT), and the controlling Ministry, namely the Ministry for the Economy and Finance (MEF), entities under the control, including joint control, of the MEF and associated companies. Related parties also include the Company’s key management personnel and pension funds (Prevaer).

For a detailed analysis of related-party transactions, please see to Note 30 of the financial statements.

Translation of amounts in foreign currency

Assets and liabilities deriving from transactions in a currency other than the functional currency of ENAV are recognised at the exchange rate prevailing on the transaction date. At the end of the year, those assets and liabilities are adjusted at the exchange rate prevailing at the close of the year and any gains or losses are recognised through profit or loss.

Use of estimates and management judgements

In accordance with the IAS/IFRS, the preparation of the financial statement requires management to make accounting estimates based on complex and/or subjective judgements, evaluations, estimates based on historic experience and assumptions considered to be reasonable and realistic in view of the related circumstances and on the information available at the time of the estimate. The application of these estimates and assumptions influences the carrying amount of assets and liabilities and the disclosures on contingent assets and liabilities at the date of the financial statements, as well as the amount of revenues and costs in the reference period. Actual results could differ from estimated results as a result of the uncertainty in the assumptions and conditions on which the estimates are based. The estimates and assumptions are reviewed periodically and the effects of each change are reflected in the accounts in the period in which the review of the estimate takes place, if the revision only affects the current period, or also in subsequent periods if the revision affects the current period and future periods.

In the case of future changes in estimation processes, disclosures will be provided about the methodological changes with effect from the year in which that change could have an impact in the presence of certain additional elements and/or factors. Such changes in the conditions underlying the assumptions and judgements could have a significant impact on the financial statements.

In order to enhance understanding of the financial statements, the main financial statement items or accounting circumstances which could significantly affected by management judgements are reported below, highlighting the main assumptions adopted in the evaluation process, in compliance with international accounting standards.

Measurement of revenues for balances

As discussed in the Accounting Standards section, the measurement of operating revenues adjusted by Balances, which measure services already performed by the Parent Company, requires management to use estimates and make judgements. These estimates and judgements regard forecasts of the time needed to recover amounts connected with Balances in the years following that in which they accrue, as well as the choice of the discount rate to be used. In particular, with regard to the measurement of the fair value of the adjustment for Balances, the Company’s management forecasts the time needed to recover the amounts through the future charging plans: if the forecasts change, the values attributed to receivables and payables for balances will change to reflect the new forecasts for the related cash flows.

Impairment and recoverability of investments

For every reporting date of the financial statements the Company assesses whether there is objective evidence that investments are impaired.

Investments in subsidiaries are recorded at the purchase cost, as required under IAS 27.

The analyses conducted by management require the evaluation of a series of internal and external inputs such as, for example: the examination of the annual budget, the examination of the long-term financial plan and the analysis of the main market indicators.

The evaluation of the present value of cash flows requires management to make extensive use of significant estimates and assumptions. It is believed that the estimates of this value are recoverable and reasonable. However, possible changes in the estimation factors on which the calculation of the present value is based could produce different measurements.

With reference to the evaluation of objective evidence of impairment losses with regard to the investment in Techno Sky, the test is carried out by calculating the value in use of the investment based on the discounted cash flow method.

The recoverable value was estimated on the basis of cash flows for a time horizon of 4 years (2019 - 2022) and are taken from the financial plan (2018-2022) approved by the Techno Sky Board of Directors on 2 March 2019, also taking into account the budget for 2019, approved by the Techno Sky Board of Directors on 7 December 2018. For the explicit forecast period, these flows are formulated on the basis of hypothetical assumptions and associated with the expectations for the development of the business, while the years following the explicit period use assumptions about long-term sustainable profitability to enable operational continuity (growth rates and other factors linked to macroeconomic dynamics). The assumptions adopted by management for the estimation of “normalised” net operating cash flow are the following:

- definition of NOPAT (Net Operating Profit After Taxes) on the basis of the average for the four-year explicit forecast period (2019-2022);
- depreciation is aligned with investments to maintain the fixed capital;
- working capital with balance of zero;
- the growth rate of operating cash flows after the explicit period in perpetuity, used to determine the residual value (g rate), has been estimated at 1% in line with the revision of the growth forecasts for Italy.

In particular, the estimate of the growth rate (g rate) is influenced by the judgements and assumptions made by management, which consider internal and external information inputs, the latter being characterised by a degree of uncertainty, for example: examination of the annual budget, examination of the long-term financial plan and analysis of the main market indicators.

In determining the value in use, the expected future cash flows are discounted using a discount rate, the estimation of which is affected by the judgements and assumptions made by management, and which reflects current market assessments of the time value of money and the specific risks of operations. In particular, the discount rate was constructed according to the main following assumptions: the free risk, the country risk premium and the market risk premium were determined on the basis of data observable on the market, the beta was based on an estimate determined on the basis of a sample of comparable companies.

With regard to the valuation of the investment in ENAV North Atlantic, it should be stressed that it was established in order to make the investment in the US company, Aireon LLC. Accordingly, the recoverability of the carrying amount of the investment in ENAV North Atlantic LLC is connected to the recoverability of the values for the investment in the latter. Since the investment in Aireon LLC in the consolidated financial statements is measured at fair value with adjustments recognised through other comprehensive income, net of deferred taxation, for a full examination of the analysis process, please see the section “Use of estimates and management judgements” in the consolidated financial statements.

Section 7 *Investments* provides information relating to the results of the valuations performed by the Company.

Determining useful life

The depreciation and amortisation of property, plant and equipment and intangible assets is recognised on a straight-line basis over the estimated useful life of each asset. The useful life is calculated at the time the assets are acquired and is based on historical experience with similar investments, market conditions and forecasts involving future events that could have an impact on the useful life. Actual economic life may therefore differ from the estimated useful life. The Company evaluates technological changes annually in order to update the residual useful life. This updating could involve a change in the depreciation/amortisation period and therefore also the depreciation/amortisation charge for the year and future years.

Risk provisions

The Company recognises provisions for probable liabilities attributable to disputes and litigation with personnel, suppliers, third-parties and, in general, other charges in respect of obligations undertaken. The calculation of the risk provisions involve making estimates based on the current knowledge of factors that could change over time, potentially leading to final outcomes that could differ significantly from those taken into consideration in the preparation of the financial statements.

Provision for doubtful accounts and provision for inventory losses

The provisions for doubtful accounts for inventory losses respectively reflect the estimates of losses on Company receivables in accordance with the expected credit loss (ECL) model introduced with IFRS 9 and the estimate for spare parts that have become obsolete and can no longer be used. With regard to the ECL model, the Company used a combination of internal and external inputs basis on historical analyses adjusted appropriately for forward-looking elements. Although the provisions are considered appropriate, the use of different assumptions or changes in economic conditions could be reflected in changes and, therefore, have an impact on profits.

4. New accounting standards, interpretations and amendments adopted by the Company

The accounting standards adopted in the preparation of the financial statements at 31 December 2018 are in consistent with those used for the preparation of the financial statements at 31 December 2017, with the exception of the adoption of the new IFRS 15 and IFRS 9, whose amendments and interpretations are effective as from 1 January 2018. A number of other amendments and interpretations were applied for the first time in 2018, but did not have an impact on the Company's financial statements.

Impact of the adoption of new accounting standards applicable from 1 January 2018

The effects associated with the first-time adoption of the new accounting standards IFRS 15 and IFRS 9, applicable from 1 January 2018, on the Company's financial statements are discussed below.

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 model for calculating revenues in five distinct steps. IFRS 15 provides for the measurement of revenues in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to customers.

The Company has adopted IFRS 15 using the modified retrospective method without restating the comparative information for the previous year, allocating the economic effects attributable to the financial year ending 31 December 2017 to opening shareholders' equity as at 1 January 2018. The Company also applied the standard retrospectively only to contracts that had not been concluded at the initial application date.

The impact on shareholders' equity resulting from the adoption of IFRS 15, including the recognition of deferred tax liabilities, amounted to €3,000 associated with progress in an aeronautical consulting contract for which revenues are recognised over time, from which contract assets emerged at 1 January 2018. With regard to the other cash generating units, no differences from first-time adoption emerged, as the Company already measured revenues in a manner consistent with the satisfaction of performance obligations.

The effects attributable to the adoption of the new standard in 2018 can be summarised as follows: i) two distinct performance obligations satisfied over time were identified for the *regulated market*, regarding the provision of air traffic control services for both the en-route and terminal components. For these services the Company adopted the output valuation method, using measurements tied to the en-route and terminal service units. Under this method, which had no impact on first-time adoption, revenues are measured on the basis of the services transferred to the customer compared with the services promised in the agreement which have not yet been rendered, including the adjustment for revenues resulting from the balance mechanism, which makes it possible to measure the effective value of the performance rendered to the customer. The balance also includes a significant financing component, as it has a time horizon of more than 12 months. The Company also adjusted the price of the transaction to take account of the time value of the money. The adoption of IFRS 15 did not cause changes to the amount of revenues that would have been recognised under the previously applicable standard for 2018; ii) in *non-regulated markets*, the Company mainly provides training, flight inspection and aeronautical consulting services. In general, aeronautical consulting, maintenance and certain training services contracts often contain performance obligations to be satisfied over time, while the remaining types of contract generally have performance obligations satisfied at a point in time. The application of the new standard had a minimal impact.

At 31 December 2018, the impact of the adoption of IFRS 15 produced only a small change compared with the revenues and contract assets that the Company would have recognised in accordance with the previously applicable standards. For this reason, the disclosure provided for in paragraph C8 of IFRS 15 is not provided.

Following the adoption of the new standard, all operating revenues are “Revenues from contracts with customers”. For that reason, the financial statements report the sub-total “Revenues from contracts with customers” and the sum of “Revenues” and “Balance”, which together are a metric of the performance provided to customers.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for accounting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Company adopted IFRS 9, charging the financial effects attributable to the year ending at 31 December 2017 to opening shareholders’ equity at 1 January 2018, without restatement of the comparative figures, making use of the simplifications granted for first-time adoption of the standard.

At first-time adoption, a number of impacts were caused by the adoption of the expected credit loss method, especially with regard to a certain clusters of past-due positions that were not considered in determining impairment losses on financial assets at amortised costs under the previous accounting standard. Conversely, there were no impacts generated by the “classification and measurement” and “hedge accounting” pillars. The financial impact, including the recognition of deferred tax assets, of the adoption of IFRS 9 in connection with the new methods for reporting impairment amounted to €341,000.

The effects of the adoption of IFRS 9 on performance and the financial position at 31 December 2018 are discussed below:

- *Impairment of financial assets*: Following the gap analysis, the Company recognised the effects of the application of the new accounting model in an equity reserve at 1 January 2018, based on the information available on that date, primarily regarding the revenue stream from the regulated market.

  At 31 December 2018 the Company adopted the simplified method for the portfolio of trade receivables and contract assets, while it carried out an analytical assessment of counterparties for the remaining assets.

  Specifically, the trade receivables portfolio was divided into uniform groups, i.e. regulated and non-regulated markets. In particular: i) for the *regulated market*, a detailed analysis of the portfolio broken down by clusters of past due positions was conducted, based on a refinement of the analysis of historical trends, with the support of an initial assessment provided by Eurocontrol at 31 December 2018 consistent with the new standard. Following the analysis, the Company refined its estimate of the expected loss percentages to be applied to the past due clusters. The percentage writedowns were increased compared with the analysis conducted at first-time adoption, in consideration of the greater information subsequently available. The clusters most affected by the review of the estimates were en-route and terminal receivables past due by more than 365 days, positions that were written off even for active carriers that had not terminated operations; ii) for the *non-regulated market*, the general impairment model was used, with individual assessments for a portion of the portfolio. Receivables in respect of bankrupt or defunct customers were written off, regardless of which past due clusters they were it, while performing positions were inserted in a provision matrix with percentages supported by historical data adjusted to take account of forward-looking items. Compared with first-time adoption, the Company refined its estimation techniques, writing off certain non-performing positions on the basis of other specific evidence regardless of their position in the provision matrix.

  The new impairment model introduced with IFRS 9 had a limited impacts at 31 December 2018 as well. The difference between the two accounting methods is mainly associated with the consideration under the IFRS 9 model of the not-past-due/past-due portfolio for relatively recent clusters, for which no provisions would have been recognised under IAS 39. In percentage terms, the impact of the adoption of the ECL model is equal to about 7% of the total provision as at 31 December 2018.

Summary of the impact at 1 January 2018

The following table reports changes in the reclassified statement of financial position at 1 January 2018 associated with the application of the new IFRS 9 and IFRS 15:

	31.12.2017	IFRS 9	IFRS 15	01.01.2018
Net non-current assets	**1,234,016**	0	0	**1,234,016**
Inventories	60,968	0	0	60,968
Trade receivables	281,987	(448)	4	281,543
Trade payables	(124,984)	0	0	(124,984)
Other current assets and liabilities and assets and liabilities held for sale	(157,733)	0	0	(157,733)
Net working capital	**60,238**	**(448)**	**4**	**59,794**
Gross capital employed	**1,294,254**	**(448)**	**4**	**1,293,810**
Employee benefit provisions and provisions for risks and charges	(46,867)	0	0	(46,867)
Deferred tax assets/(liabilities)	14,554	107	(1)	14,660
Net capital employed	**1,261,941**	**(341)**	**3**	**1,261,603**
Shareholders' equity	1,141,670	(341)	3	1,141,332
Net financial debt	120,271	0	0	120,271
Funding of net capital employed	**1,261,941**	**(341)**	**3**	**1,261,603**

(thousands of euros)

The overall impact on the shareholders' equity of ENAV of the adoption of the new standards was a negative €338 thousand net of the recognition of deferred tax assets in application of IFRS 9 and deferred tax liabilities from the adoption of IFRS 15.

New accounting standards, amendments and interpretations that did not have an impact on the Company's financial statements

The following is a list of the new accounting standards, amendments and interpretations applicable to the Company as from 1 January 2018 with no impact on the financial statements as at 31 December 2018:

- *IFRIC 22 Foreign currency transactions and advance consideration* – issued on 8 December 2016. The interpretation applies to transactions in foreign currency if a company recognises 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 methods for identifying the date of the foreign currency transaction in order to calculate the 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, in the application of paragraphs 21-22 of IAS 21, the date to use for the calculation of the exchange rate at the initial recognition of the asset, cost or income is the date on which the company recognised the non-monetary asset/liability associated with the advance. In the presence of multiple advance payments the company shall determine a date for each payment or receipt of advance consideration.

- *Annual improvements to IFRS standards 2014-2016 cycle* – issued on 8 December 2016. The document contains formal amendments and clarifications of existing standards. More specifically, several amendments were introduced to the following standards:
  - *IFRS 1 – First-time adoption*: changes were made to the application date of a number of standards applicable to cases of early adoption of IFRS;
  - *IAS 28 - Investments in associates and joint ventures*: an exemption to the application of the equity method was introduced if an equity investment in an associate or a joint venture is held directly or indirectly by an entity that is either a venture capital organisation, or a mutual fund, unit trust and similar entities. In such cases, the entity can elect the measures these investments at fair value through profit or loss in compliance with IFRS 9. Additionally, if an entity that is not itself an investment entity has an equity investment in an associate or joint venture that is an investment entity, when applying the equity method it can elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries.
- *Amendments to IFRS 2: Classification and measurement of share-based transactions* – issued on 20 June 2016 and endorsed on 26 February 2018. Specifically, clarifications were introduced for the treatment of vesting conditions and cash-settled share-based payments. The latter are subject to vesting conditions connected with achievement of growth targets and increases in the share price. Specifically, vesting conditions, other than market conditions, shall not be taken into consideration when estimating the fair value at the measurement date. Instead, vesting conditions, other than market conditions, shall be taken into account by adjusting the number of awards included in the measurement of the liability. In addition the entity shall recognise the cost in proportion to the vesting period based on the best estimate of the number of awards estimated at the measurement date. The estimate may also be revised in subsequent years if additional information indicates a different number of awards. Market conditions shall be taken into account when estimating the fair value of cash-settled share-based payments and when remeasuring the fair value at the end of each reporting period and at the date of settlement. The cumulative amount recognised for services received is equal to the cash paid. Recently the new standard introduced a number of sections governing cases of share-based transactions that involve the application of withholding tax by the employer and payment to the tax authorities in the name of and on behalf of employees, which also requires supplemental disclosure.

New accounting standards, interpretations and amendments taking effect for periods after 31 December 2018 and not adopted early by the Company.

The following is a list of new accounting standards, amendments and interpretations that will be applied by the Company in annual accounting periods after 31 December 2018:

- *IFRIC 23 Uncertainty over income tax treatments* – issued on 7 June 2017. The interpretation clarifies the application issues 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. In particular:
  - a company shall decide whether to consider each uncertain tax position separately or jointly with others based on which approach better predicts the resolution of the uncertainty, bearing in mind how it prepares its tax filings and how it expects tax authorities to make their examination;
  - a company shall assume that the tax authorities will examine the documents and have all the necessary information relating to the uncertainty of treatment and its resolution;
  - a company shall evaluate the probability that the tax authorities will accept the proposed uncertain tax treatment. If the probability of the tax authorities accepting it is high, then the company shall calculate the taxes in line with the planned tax treatment. If the probability of them accepting is low, then the company shall reflect the uncertainty in the tax estimate using one of the following methods: i) most likely amount; or ii) expected value. If the uncertain tax treatment impacts current and deferred taxes, the company should make the best estimate for the purpose of both current and deferred tax;
  - at every closing, the company shall evaluate whether the facts and circumstances on which it based its judgement have changed over the course of time since inception. In the case of changes in facts and circumstances, IAS 8 shall apply. In addition, a company shall apply IAS 10 to determine whether a change that occurs after the reporting date and before approval date of the financial statements is an adjusting or non-adjusting event.

  The interpretation, which was endorsed on 23 October 2018, shall apply for all annual accounting periods beginning on or after 1 January 2019. Early adoption is permitted. The Company will assess the application of this interpretation.
- *Amendments to IAS 28: Investments in associates and joint ventures* – issued on 12 October 2017 and endorsed on 11 February 2019, is applicable as from 1 January 2019. The amendment clarifies that an entity shall apply IFRS 9, rather than the provisions of IAS 28, to interests held in an associate or joint venture not accounted for using the equity method (long-term interest).

  The Company will assess the application of this interpretation
- *Amendments to IAS 19: Plan amendment, curtailment or settlement* – issued on 7 February 2018, applicable, after endorsement, from 1 January 2019. The amendment of IAS 19 addresses the accounting treatment of an amendment, curtailment or settlement an employee benefit plan during a reporting period. The amendments to IAS 19 require entities to use updated actuarial assumptions in calculating the service cost and net interest for reporting periods after the above changes. Conversely, the amendment change to the standard does not address accounting for significant market fluctuations

if there are no changes to a plan. The Company will assess whether the amendments will have an impact.

- *Annual improvements to IFRS standards 2015-2017 cycle* – issued on 12 December 2017. The document contains formal changes and clarifications of existing standards. More specifically, the following standards have been amended:
  - *IAS 12: Income taxes: Income tax consequences of payments on financial instruments classified as equity*: the amendments clarify 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 amendments clarify that an entity should treat with each loan obtained for a specific qualifying asset in the same way as funds not obtained for a specific asset when that qualifying asset is ready for its intended use or sale.

  The Company is evaluating any impacts associated with the future application of the cycle of updates. The amendments will be applicable, following endorsement, from the years after 1 January 2019.

- *IFRS 9 Prepayment features with negative compensation* – issued on 12 October 2017. The aim of amendments is to address the issue of the classification of particular categories of financial assets with prepayment features. These amendments govern the situation in which the party exercising the prepayment option for a financial asset could receive compensation from the other party. This case is known as negative compensation. Under such an agreement, a lender could be forced to accept a pre-payment that is substantially smaller than the amount of uncollected principal and interest. The financial asset in question should be measured at amortised cost or at fair value through OCI depending on the business model used.

  The Company will evaluate any impacts associated with the amendments of IFRS 9, which were endorsed on 22 March 2018, as 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 disclosure of leases for both parties to a contract, i.e. the lessee and the lessor. Although maintaining the definition of lease already set out in IAS 17, the main change introduced with IFRS 16 consists of the introduction of the concept of control within the scope of the definition. Specifically, IFRS 16 requires an evaluation of whether or not the lessee has the right to direct the use of an asset for a given period of time. IFRS 16 eliminates the classification between operating and finance leases for lessees and introduces a single method for recognising all leases. The standard will be applicable for annual reporting periods beginning on or after 1 January 2019. Please see the section "Impact of the future application of IFRS 16" for more information on the expected impact at 1 January 2019 upon first-time adoption.

- *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 amend existing standards and interpretations, but rather introduce cross-cutting definitions to various standards, guidance and parameters with regard to the concepts of measurement, presentation and disclosure and 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 for IFRS adopters will be clarified, with special reference to the concepts of prudence, stewardship, measurement uncertainty, and substance over form.
- *Amendment to IAS 1 and IAS 8: Definition of material* – issued on 31 October 2018 with the EFRAG endorsement advice expected to be issued in the first quarter of 2019. The amendments to the standards regard a new definition of materiality, under which information is material if omitting, misstating or obscuring it could reasonably be expected to influence the financial decisions that stakeholders on the basis of that information. The concept of materiality depends on both the nature and magnitude of the information.

  The amendments will take effect, subject to endorsement, as from 1 January 2020 and early adoption is permitted.

Impact of the future application of IFRS 16

In the general definitions, the standard defines "lease" as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. The central elements in the definition of lease of the new standard are the concepts of control, i.e. the ability to direct the use of the leased asset and obtain benefits from that use, and of the identifiability of the asset (the asset cannot be considered identified if the supplier has the substantive right to substitute the asset over the period of use). For this reason, in lease agreements the satisfaction of the above requirements is essential to identifying the person who effectively receives the rental service as the person who controls the use of the asset.

ESMA, as part of its Enforcement Priorities 2018, in addition to reaffirming the treatment of certain issues related to IFRS 15 and 9, requires appropriate disclosure of the impact of implementation of IFRS 16, given the extent of the expected impacts on many alternative performance measures (EBITDA, EBIT, NFP).

During the 2018 financial year, the Company organised working groups in order to analyse and evaluate the expected impact of IFRS 16 at the time of first application, i.e. 1 January 2019.

After analysing the changes introduced by IFRS 16 and applying the practical expedient for leases of low-value assets and leases with a term of 12 months or less, the scope of the IFRS 16 analysis was limited to the following types of contract: long-term rentals/leases of buildings and secondary and/or strategic sites, long-term rentals of motor vehicles for managers, personal-use vehicles operating at airport sites and those used by managers of certain sites under long-term rental contracts and other minor contracts. In defining the contractual term of its agreements, the Company has only considered the non-cancellable period of the lease, not considering any extensions or any tacit or explicit renewals, in the absence of reasonable certainty that the renewal would be exercised. In assessing the expected impact at first-time adoption, the Company used the average borrowing rate at 31 December 2018, in the absence of implicit interest rates in the types of lease involved.

Furthermore, for the car rental agreements referred to above, only the pure lease components have been factored into determining the right of use, while non-lease components (such as maintenance services) have not been considered as they will continue to be charged to profit or loss.

The Company intends to apply the new standard retrospectively, accounting for the cumulative effect of the initial application of the standard at the date of initial application in accordance with paragraphs C7-C13, without restating the comparative information for 2018.

As a result of the analysis, the expected impacts at 1 January 2019 at the Company level are shown below:

- recognition of rights of use under non-current assets of about €3.06 million;
- recognition of lease liabilities of about €3.10 million;
- negative impact on the reserve for the adoption of new standards of about €45 thousand deriving from the effects of the initial amortisation of the right of use, in which the sum of the amortisation charge and financial expense is typically higher than the lease instalments recognised in the income statement in 2018 in application of the old IAS 17 for operating leases.

Notes to the statement of financial position

5. Property, plant and equipment

The table below shows changes in property, plant and equipment at 31 December 2018 compared with the previous year.

(thousands of euros)	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
Cost	494,755	1,825,623	315,604	310,900	220,837	3,167,719
Accumulated depreciation	(203,579)	(1,375,991)	(256,736)	(283,678)	0	(2,119,984)
Net book value at 31.12.2017	**291,176**	**449,632**	**58,868**	**27,222**	**220,837**	**1,047,735**
Increases	33,198	91,732	5,446	3,305	113,542	247,223
Disposals - cost	(8,396)	(4,045)	(4,691)	(5,352)	0	(22,484)
Disposals - accumulated depreciation	4,413	4,030	4,681	5,327	0	18,451
Reclassification	0	(246)	(1,794)	0	(135,218)	(137,258)
Impairment losses	(57)	0	(64)	0	(699)	(820)
Depreciation	(19,425)	(93,363)	(12,284)	(6,788)	0	(131,860)
Total changes	**9,733**	**(1,892)**	**(8,706)**	**(3,508)**	**(22,375)**	**(26,748)**
Cost	519,484	1,912,936	314,494	308,853	198,462	3,254,229
Accumulated depreciation	(218,575)	(1,465,196)	(264,332)	(285,139)	0	(2,233,242)
Net book value at 31.12.2018	**300,909**	**447,740**	**50,162**	**23,714**	**198,462**	**1,020,987**

There was a net decrease in property, plant and equipment in the year of €26,748 thousand as a result of the following events:

- depreciation for the year of €131,860 thousand (€135,244 thousand in 2017);
- increases in property, plant and equipment totalling €247,223 thousand, of which €133,681 thousand relating to investments that entered service during the year. These include: i) the data link 2000 system for the transmission of ground/air/ground data between pilots and air traffic controllers, which replaces voice communications with text messages via data link through the CPDLC (Controller Pilot Data Link Communications) application for flights operating in Italian airspace above 28,500 feet (8,700 meters), both in overflight and departure and/or arrival at a national airport. This system is installed at the four Italian Area Control Centres (ACC); ii) the completion of the new building for the Forlì training academy as a new integrated technology hub to replace the previous building, which was sold in June 2018; iii) completion of the Rome Ciampino service centre, for use as a conference centre; iv) the integration of the ERATO system (En-Route Air Traffic Organiser), which supports controllers in air traffic management, identifying potential conflicts and highlighting the elements to be assessed for their solution; v) the V3R1 version of the Coflight programme, the new generation flight data processing system, which supports controllers in calculating the expected flight path and is installed in the systems room at the Rome Ciampino ACC site and is used in the validation exercises of the SESAR programme; vi) the TBT radio centre (ground-air-ground) for a number of remote sites of the Rome Ciampino ACC; vii) the upgrade of meteorological systems to the ICAO 74 amendment at various airport

sites; viii) the restructuring of the tower and the technical area of the Reggio Calabria airport and the Rimini airport; ix) the centralised ARO Central Briefing Office at Linate airport and at the Rome Ciampino ACC; x) evolutionary maintenance on various systems. Increases of €113,524 thousand refer to progress on assets under construction as part of investment projects, including: i) the 4-Flight programme, whose objective is to develop the entire Air Traffic Management (ATM) technology platform of the ACCs based on SESAR operational concepts and taking the Coflight system as a basic component. With reference to the new generation flight data processing system called Coflight, which supports controllers in calculating the expected flight path, created in collaboration with the French provider DSNA, the development of the V3R2 version and the V3R3 version that will be integrated into the 4-Flight programme was begun; ii) the automation programme for the operation of control towers towards full electronic management at six airports in the process of implementation at the Milan Malpensa airport tower; iii) an airport tracker radar data fusion system for the airports of Milan Linate and Milan Malpensa; iv) the construction of the technical area of the Genoa airport; v) the modernization and upgrading of airport sound recording systems; vi) new surface movement radar for the Rome Fiumicino and Milan Malpensa airports; vii) the power station at the Catania airport;

- decreases due to disposals amounting to a net €4,033 thousand, including €3,745 thousand for the sale of the academy building complex in Forlì to Alma Mater Studiorum - University of Bologna in June, for a total price of €4.5 million, with the recognition of a capital gain of €755 thousand. The remainder regarded the retirement of assets no longer considered usable, which generated a capital loss of €288 thousand;
- the decreases due to reclassifications totalling €137,258 thousand, mainly regarding investment projects that were completed and entered service during the year, with classification to a specific account, amounting to €133,681 thousand, as well as €448 thousand for the reclassification of certain components of operating systems in inventories for replacement parts, in which €1,550 thousand of assets classified under intangible assets under development, not immediately usable, were reclassified, after having zeroed their value through use of the provision for risks recognised in previous years;
- writedowns of property, plant and equipment amounting to €820 thousand in respect of certain assets that are no longer considered usable.

Note that part of the investments, with a historical cost of €260,074 thousand, are financed by capital grants disbursed under the National Operational Programme (NOP) for Transport for the years 2000-2006, 2007-2013 and 2014-2020 for initiatives at southern airports, grants from the Ministry of Infrastructure and Transport for investments in military airports, in accordance with Law 102/09 and projects financed at the European level. The capital grants for these investments are accounted for as other liabilities and reversed to profit or loss in line with the depreciation of the investments to which they refer. The amount attributable to the year came to €9,098 thousand.

6. Intangible assets

The table below shows changes in intangible assets at 31 December 2018 compared with the previous year.

(thousands of euros)	Industrial patent and intellectual property rights	Other intangible assets	Asset under development	Total
Cost	133,902	2,085	43,150	179,137
Accumulated amortisation	(119,279)	(2,085)	0	(121,364)
Net book value at 31.12.2017	**14,623**	**0**	**43,150**	**57,773**
Increases	9,509	0	6,707	16,216
Disposals	0	0	0	0
Reclassification	0	0	(9,723)	(9,723)
Impairment losses	0	0		0
Amortisation	(8,469)	0	0	(8,469)
Total changes	**1,040**	**0**	**(3,016)**	**(1,976)**
Cost	143,411	2,085	40,134	185,630
Accumulated amortisation	(127,748)	(2,085)	0	(129,833)
Net book value at 31.12.2018	**15,663**	**0**	**40,134**	**55,797**

Intangible assets totalled €55,797 thousand, a net decrease of €1,976 thousand, reflecting the following changes:

- amortisation for the year of €8,469 thousand (€7,088 thousand in 2017);
- increases in intangible assets totalling €16,216 thousand, including €9,509 thousand in respect of investment projects completed and entering service during the year, including the upgrade of the ERP Oracle management system to release 12, software and licenses for management systems, also reflecting compliance with new regulations, and operational systems, as well as the implementation of the common web platform between ENAV and its subsidiaries. The increase also included €6,707 thousand from investment projects in progress including: i) the activities relating to the ERP Oracle management system with a view to implementing the system among the companies of the ENAV Group; and ii) various systems supporting SESAR operational activities;
- decreases in intangible assets of €9,723 thousand and include €9,509 thousand for investment projects completed and entering service that were classified to a specific account and €214 thousand from the reclassification of assets under property, plant and equipment.

7. Investments

At 31 December 2018, investments amounted to €147,121 thousand and changed as follows during the year:

(thousands of euros)	**31.12.2017**	**Increases**	**Decreases**	**31.12.2018**
Investments:				
subsidiaries	146,904	50	0	146,954
other companies	167	0	0	167
Total	**147,071**	**50**	**0**	**147,121**

The increase in investments in subsidiaries of €50 thousand relates entirely to the subsidiary D-Flight SpA, wholly owned by ENAV at 31 December 2018. The company was established following the completion of a competitive tender to select an industrial partner for the creation of a public-private partnership for the development and provision of "Unmanned Aerial Vehicles Traffic Management (UTM)" services, i.e. the management of safe and controlled in-flight operations of drones. In May 2018 ENAV selected as its industrial partner a partnership led by Leonardo with Telespazio and IDS- Ingegneria dei Sistemi, at the conclusion of a tender procedure launched following an agreement between the ENAC, the regulator, and ENAV in 2016. In November 2018, ENAV initially established the company as a wholly owned subsidiary. Following the completion of the golden powers notification procedure, a capital increase in the new company was subscribed on 28 February 2019 by the industrial partners (UTM Systems & Services Srl), with payment of €6.6 million for 40% of the share capital of D-Flight.

ENAV North Atlantic, a company incorporated under American law in the legal form of a limited liability company, assumed the obligations deriving from the Subscription Agreement signed in December 2013 for the purchase of 12.5% of the shares of Aireon, a US company in the Iridium Group, whose corporate purpose is the supply of instrumental services to air navigation surveillance activities through a special payload device installed on board the 66 operational Iridium satellites, creating the first global air traffic surveillance system with coverage of areas not currently covered by radar. Payment for the acquisition was structured in four instalments, the last of which was settled in 2017, for a total investment of $61.2 million and a stake at 31 December 2018 of 9.14%, which, under a redemption clause envisaged among the obligations deriving from the Subscription Agreement, is expected to rise to 11.1%. The stake allocated to ENAV post-redemption is smaller than that provided for in the agreements signed in 2013 due to the dilutive effects connected with the entry of the British service provider NATS among the shareholders of Aireon LLC in May 2018.

At 31 December 2018, the value of the investment in ENAV North Atlantic amounted to €47,553 thousand. The carrying amount of the investment in ENAV North Atlantic reflects the recoverability assumptions underlying the determination of the fair value of the investment in Aireon LLC, reported in the Note 9 *Investments in other entities* in the consolidated financial statements.

Investments in subsidiaries include the 100% stake in Techno Sky in the amount of €99,224 thousand. This carrying amount, which is greater than the corresponding portion of shareholders' equity, underwent impairment testing at 31 December 2018, in order to assess the recoverability of the carrying amount. The recoverable value was estimated on the basis of the cash flows drawn from the 2018-2022 financial plan approved by the Techno Sky Board of Directors on 2 March 2018, also taking account of the budget for 2019 approved by the Board of Directors of Techno Sky on 7 December 2018. Those cash flows for the explicit forecast period are formulated on the basis of assumptions and expected developments in the business, while those for the years subsequent to the explicit period have been developed on the basis of assumptions about sustainable long-term profitability enabling the company to continue as a going concern. The recoverable value was calculated by discounting the operating cash flows using the discounted cash flow (DCF) method. The discount rate used was the WACC, equal to 10.06%, with a nominal growth rate for operating cash flows post explicit period forecast of 1%, consistent with current macroeconomic conditions (euro-area inflation).

Following the test, recoverable value was found to be higher than the carrying amount and, consequently, no impairment losses have been recognised. The recoverable value for the purposes of the impairment test showed headroom over the corresponding carrying amount of about €15.6 million, with a total value of €113.5 million.

Investments in subsidiaries also include a 100% stake in ENAV Asia Pacific based in Kuala Lumpur, Malaysia.

Investments in other entities include the 16.67% stake in the French company ESSP SaS, in which the main European service providers are shareholders and which operates the EGNOS satellite navigation system and provides the associated services, in the amount of €167 thousand. In May 2018, dividends received from the company amounted to €500 thousand.

For comments on the performance of subsidiaries in 2018, please see to the appropriate section of the Report on Operations.

A breakdown of investments held at 31 December 2018, with an indication of the interest held and the related carrying amount, is shown below:

Name	Headquarters	Balance sheet date	Share capital	Profit(loss) for the year	Equity at 31.12.2018	% share	Shareholders' equity pertaining to ENAV	Book value at 31.12.2018
Subsidiaries								
Techno Sky S.r.l.	Rome	31.12.2018	1,600	10,769	31,416	100%	31,416	99,224
D-Flight	Rome	31.12.2018	50	(20)	30	100%	30	50
Enav Asia Pacific	Kuala Lumpur	31.12.2018	127	1,109	3,171	100%	3,171	127
Enav North Atlantic	Miami	31.12.2018	44,974	32	44,944	100%	44,944	47,553

Separate indication of the investment classified among assets held for sale whose equity value is greater than their carrying amount is given below:

Name	Headquarters	Balance sheet date	Share capital	Profit(loss) for the year	Equity at 31.12.2018	% share	Shareholders' equity pertaining to ENAV	Book value at 31.12.2018
Subsidiaries classified as assets held for disposal								
Consorzio Sicta in liquidazione	Naples	31.12.2018	1,033	(66)	1,451	60%	871	705

8. Current and non-current financial assets

Current and non-current financial assets amounted to €9,007 thousand and €28,105 thousand, respectively, both increasing, compared with 31 December 2018, by €8,682 thousand and €25,119 thousand. The item breaks down as follows:

	31.12.2018			31.12.2017			change		
(thousands of euros)	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Financial assets at amortised cost	9,001	28,105	37,106	0	2,986	2,986	9,001	25,119	34,120
Derivative financial instruments	6	0	6	325	0	325	-319	0	(319)
Total	**9,007**	**28,105**	**37,112**	**325**	**2,986**	**3,311**	**8,682**	**25,119**	**33,801**

The net increase in current financial assets is mainly attributable to the opening, in December, of a 1-year time deposit of €9 million, accruing annual interest of 0.30%. The decrease of €319 thousand refers to the fair value measurement of the financial instrument obtained by ENAV to hedge the exposure to an unfavourable change in the euro/AED exchange rate with regard to future receipts in foreign currency on an outstanding contract for the project to optimise air traffic flows in the United Arab Emirates, expiring in June 2019. The financial instrument establishes perfectly effective hedging relationship, accounted for using the cash flow hedge method. Please see Note 34 for all the information required by IFRS 7.

Non-current financial assets, which amounted to €28,105 thousand, showed a net increase of €25,119 thousand, mainly attributable to the investment of part of the Company’s liquidity in two BTP government bonds, recognised at amortised cost and held to maturity, with a total nominal value of €25 million euros falling due on 15 October 2020 and 1 November 2020 respectively. The yields on the BTPs are 0.65% and 0.20%, respectively. The remainder of the change in non-current financial assets regards interest accrued on the intercompany loan made in 2017 to the subsidiary ENAV North Atlantic paying a rate of 2.5%. That loan provides for repayment in a bullet instalment on 31 December 2021, with an option for early repayment.

9. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities, as well as deferred tax assets offsettable, where permitted, against deferred tax liabilities, are reported in the following below, with amounts impacting profit and loss and those impacting other comprehensive income (shareholders’ equity) reported separately.

(thousands of euros)	31.12.2017 Temporary differences	31.12.2017 Deferred tax assets/liabilities	Changes under IFRS 9 and 15 through Shareholders' equity Temporary differences	Changes under IFRS 9 and 15 through Shareholders' equity Deferred tax assets/liabilities	Increase/decrease through profit or loss Temporary differences	Increase/decrease through profit or loss Deferred tax assets/liabilities	Increase/decrease through Shareholders' equity Temporary differences	Increase/decrease through Shareholders' equity Deferred tax assets/liabilities	31.12.2018 Temporary differences	31.12.2018 Deferred tax assets/liabilities
Deferred tax assets										
Taxed provisions	60,646	14,555	448	107	(34,293)	(8,231)	0	0	26,801	6,431
Writedown of inventories	9,119	2,189	0	0	447	107	0	0	9,566	2,296
Discounting of receivables	1,529	389	0	0	(1,257)	(323)	0	0	272	66
Tax effect of IFRS conversion	67	19	0	0	(67)	(19)	0	0	0	0
Discounting employee severance pay	1,886	454	0	0	0	0	(1,162)	(279)	724	175
Non-deductible portion of severance pay	1,097	264	0	0	(911)	(219)	0	0	186	45
Fair value of derivatives	4	1	0	0	0	0	0	0	4	1
Other	795	189	0	0	(539)	(128)	0	0	256	61
Total	**75,143**	**18,060**	**448**	**107**	**(36,620)**	**(8,813)**	**(1,162)**	**(279)**	**37,809**	**9,075**
Deferred tax liabilities										
Other	8,401	2,016	3	1	(3,396)	(815)	0	0	5,008	1,202
Discounting of debt	365	88	0	0	203	49	0	0	568	137
Tax effect of IFRS conversion	2,549	763	0	0	(148)	(48)	0	0	2,401	715
Fair value of derivatives	2,658	638	0	0	0	0	(78)	(19)	2,580	619
Total	**13,973**	**3,505**	**3**	**1**	**(3,341)**	**(814)**	**(78)**	**(19)**	**10,557**	**2,673**

The change in the year in deferred tax assets and deferred tax liabilities, which have a balance at the end of 2018 of €9,075 thousand and €2,673 thousand, respectively, is attributable to the following factors:

- the utilisation of taxable risk provisions and the provision for doubtful accounts as a result of the circumstances discussed in Notes 11 and 17, leading to the reversal of deferred tax assets following the occurrence of the events that had prompted their recognition in previous years;
- the reversal to profit or loss of the deferred tax associated with the discounting of receivables and payables for Balances for the year. The item also changed in reflection of the recognition of deferred taxation for the Balances recorded in 2018;
- the recognition of employee severance pay in accordance with the actuarial method, which produced an actuarial gain recognised in other comprehensive income;
- the measurement at fair value of derivative financial instruments, recognised in other comprehensive income;
- the reversal of uncollected default interest recognised in previous years following their writeoff.

The Company has determined that it is reasonably certain that the deferred tax assets recognised on the basis of future taxable income inferable in the business plan can be recovered.

10. Current and non-current tax receivables

Non-current tax receivables amounted to €23,164 thousand (unchanged on the previous year) and refer to the receivable for the excess IRES paid by the Group in 2007-2011 as a result of the non-deduction of IRAP relating to personnel and similar costs, as indicated in the application for reimbursement submitted on 6 March 2013. Specifically, the right to reimbursement originated with the provisions of Article 2 of Decree Law 201/2011, which allowed the specific deduction of such costs from the business income aggregate adopted as the tax base for IRAP (regional business tax). Previously, only 10% of those costs could be deducted. That decree was subsequently amended by Decree Law 16/2012, which in Article 4, paragraph 12, extends that deductibility to previous tax periods as from the 2007 tax year. In accordance with the requirements of the Revenue Agency, which call for repayment starting from the most distant tax periods and in the order of the electronic transmission of data flows, it was deemed prudential to classify this receivable under non-current assets.

Current tax receivables amounted to €16,867 thousand and include the receivables shown in the following table.

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Receivables from tax authorities for VAT	10,373	10,192	181
IRAP receivable	0	4,620	(4,620)
IRES receivable	6,232	0	6,232
Other current tax receivables	262	353	(91)
Total	**16,867**	**15,165**	**1,702**

Receivables from tax authorities for VAT amounted to €10,373 thousand, a net increase of €181 thousand, mainly due to the increase of around €210 thousand in the VAT credit accrued during the year on services received from professionals, partially offset by the collection of a portion of VAT receivable relating to previous years in the amount of €29 thousand. The balance of the VAT receivable includes €7 million in VAT for which reimbursement was requested in 2018.

The **IRAP receivable** shows a decrease €4,620 thousand, reflecting payments on account of €2,203 thousand and an IRAP liability recognised by the Company for 2018 of €7,117 thousand, leaving a payable of €294 thousand.

The **IRES receivable** amounts to €6,232 thousand, representing the excess of payments on account during the year in the amount of €32,993 thousand and withholding taxes incurred over the IRES tax liability accruing for 2018 in the amount of €26,767 thousand.

11. Current and non-current trade receivables

Current trade receivables amounted to €264,341 thousand and non-current trade receivables amounted to €18,448 thousand, both decreasing compared with the previous year, as detailed in the following table:

(thousands of euros)	31.12.2018	31.12.2017	Change
Current trade receivables			
Receivables from Eurocontrol	150,841	185,423	(34,582)
Receivables from the Ministry for the Economy and Finance	13,076	13,932	(856)
Receivables from the Ministry of Infrastructure and Transport	30,000	30,000	0
Receivables from others	18,728	38,161	(19,433)
Receivables for Balances	80,089	70,200	9,889
	292,734	**337,716**	**(44,982)**
Bad debt provision	(28,393)	(55,729)	27,336
Total	**264,341**	**281,987**	**(17,646)**
Non-current trade receivables			
Receivables from customers	2,214	0	2,214
Receivables for Balances	16,234	88,174	(71,940)
Total	**18,448**	**88,174**	**(71,940)**

Receivables from Eurocontrol refers to the fees in respect of en-route and terminal revenues not yet received as of 31 December 2018, the majority of which is not yet due, amounting respectively to €106,226 thousand (€131,140 thousand at 31 December 2017) and €44,615 thousand (€54,283 thousand at 31 December 2017), gross of the provision for doubtful accounts. The net decrease for the year of €34,582 thousand reflects various developments, including: i) the writeoff of a total of €33.3 million in receivables from airlines that are bankrupt, under special administration or which no longer operate, which had been recognised in previous years and were fully written down. Eurocontrol, in accordance with the Financial Regulations applicable to the Route Charges System, submitted the writeoff of a group of creditor positions for the approval of the Acceding States within the Enlarged Committee. The writeoff does not prejudice the right to seek recovery of the receivables; ii) the collection of positions outstanding the previous year, including collection of the en-route due receivable from Alitalia prior to the opening of the special administration procedure, which declared its insolvency, under the terms of the agreement reached with Eurocontrol in December 2017 and collected in full in the amount of €10.9 million. These decreases were partly offset by an increase in both en-route and terminal revenues recorded in the last months of the year compared with the corresponding period of the previous year. The receivable from Eurocontrol, net of the portion directly attributable to the provision for doubtful accounts, amounted to €132,152 thousand (€140,229 thousand at 31 December 2017).

Receivables from the Ministry for the Economy and Finance (MEF) of €13,076 thousand is entirely accounted for by the en-route and terminal exemptions recognised in 2018, a decrease of €856 thousand compared with the previous year, reflecting a decline in service units in 2018. The receivable in 2017 of €13,932 thousand was offset, after approval of the 2017 financial statements, with the payable to the Italian Air Force for the collections in respect of the en-route charges of €59,882 thousand, which left a payable of €45,950 thousand due to the MEF which was paid in December 2018.

Receivables from the Ministry of Infrastructure and Transport includes the operating grant for the year, equal to €30,000 thousand, which is intended to offset the costs incurred by the Company to guarantee the safety of its plant and operational safety, as provided for by Article 11-*septies* of Law 248/05. In November, €30 million recognised in 2017 were received.

Receivables from others show a net decrease of €19,433 thousand compared with the previous year, mainly reflecting the collection of receivables during the year from the Valerio Catullo management company, following the favourable ruling of the Court of Appeal, from the management company of the Comiso airport for the tower service activities carried out by Company personnel in 2016, and from the General Civil Aviation Authority for airspace restructuring activities in the United Arab Emirates. Transactions increasing receivables, in addition to the receivables accrued on foreign projects, included the short-term receivable from Alma Mater Studiorum - University of Bologna, which purchased the Academy building complex at the end June 2018 for €4.5 million, of which €1.5 million was paid with cashier's cheques in conjunction with the signing of the deed of sale 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 is accrued on this receivable, it has been discounted and the portion that will be collected in subsequent financial years has been classified under non-current receivables in the amount of €2,214 thousand. To guarantee the deferred payment, Alma Mater Studiorum - University of Bologna granted a voluntary first mortgage of the same duration as the payment extension on the properties involved in the sale.

The **provision for doubtful accounts** amounted to €28,393 thousand, with changes in 2018 breaking down as follows:

		Increases		Decreases		
(thousands of euros)	**31.12.2017**	P&L	Equity	Utilizations	Cancellations	**31.12.2018**
Provision for doubt accounts	55,729	8,879	448	(2,277)	(34,386)	28,393

With reference to the increases for the year, as discussed in the accounting standards, the adoption of IFRS 9 with effect from 1 January 2018 resulted in an increase of €448 thousand in writedowns of receivables, which was recognised in opening shareholders' equity at 1 January 2018, net of deferred taxation. The increases recognised in profit or loss refer to the application of writedowns on past due receivables as well as to the remaining 50% of the terminal receivable due from Alitalia, which had accrued prior to the declaration of insolvency by the carrier on 2 May 2017, in the amount of €3.5 million. This prudential writedown was recognised both to take account of the time necessary to recover the receivable and the risk associated with the insolvency, which has grown even longer despite ongoing talks with Alitalia in order to recognise the receivable as an en-route receivable. The use of the provision for doubtful accounts refers to receivables prudentially written down in previous years and collected in the course of 2018 in the amount of €2,277 thousand and the writeoff of receivables in the amount of €34,386 thousand for the reasons noted earlier.

The uses are recognised in the income statement under the item “writedowns and impairment (reversals of impairment) “.

Receivables for Balances amounted to €96,323 thousand net of the discounting effect (€158,374 thousand at 31 December 2017) and are classified as follows: i) current trade receivables of €80,089 thousand, which, gross of before discounting, regards the portion that will be recovered in 2019 and therefore included in charges in the same year; ii) €16,234 thousand classified in non-current trade receivables, as they will be recovered in the years after 2019 in accordance with the recovery plans included in the performance plan and in the 2016-2019 programme contract, in which the positive Balances determined in 2018 have been recognised.

The receivable for Balances declined by a total of €62,051 thousand, the combined effect of new receivables to €8,942 thousand (€30.4 million euro at 31 December 2017) and the portion incorporated in charges in 2018 and recognised in profit or loss in the same year in the amount of €72,250 thousand (€30.7 million at 31 December 2017), gross of discounting. The Balances recognised in 2018 included en-route Balances of €8,359 thousand (€29,042 thousand at 31 December 2017) and terminal Balances of €583 thousand (€1,388 thousand at 31 December 2017).

More specifically, the route Balances include: i) the balance for Eurocontrol traffic risk and the portion not recovered of Balances recognised in previous years and included in 2018 charges in the total amount of €1.3 million. No Balances were recorded for traffic risk as the variation between the service units recorded in the final balance compared with the performance plan was -1.25%. This divergence is below the 2% threshold set by European regulations and therefore does not entail the recognition of a balance item, as such deviations are borne by service providers; ii) the meteorological services balance of €190 thousand, which in compliance with European regulations in determined on a cost-recovery basis; iii) the balance for the en-route capacity KPI, a bonus for exceeding the target specified in the performance plan of a 0.11 minutes of delay per assisted en-route flight with the achievement of 0.024 minutes/flight by the Parent Company. As the highest level of bonus was achieved, a balance of €6,859 thousand was recognised.

The terminal Balances include: i) the traffic risk balance for terminal Charging Zone 1 amounting to €122 thousand, reflecting a decrease in actual service units at the Rome Fiumicino airport compared with the level indicated in the performance plan (-2.42%); ii) the meteorological services balance for terminal Charging Zone 1 amounting to €80 thousand; and iii) the capacity balance for the two terminal charging zones subject to the performance plan, which set a target of 0.02 minutes of delay in arrivals due to causes attributable to the Company. For the five airports covered by the performance plan, the total delay for causes attributable to ATM services was equal to 0.008 minutes, for a balance of €219 thousand.

12. Inventories

Inventories, which are represented by spare parts, amounted to €60,983 thousand net of provisions for doubtful accounts, an increase of €15 thousand on the previous year. Changes during the year break down as follows:

(thousands of euros)	**31.12.2017**	**Increases**	**Decreases**	**31.12.2018**
Bonded inventory	64,686	2,526	(2,246)	64,966
Direct inventory	4,658	634	(451)	4,841
Flight inspection inventory	743	0	0	743
	70,087	**3,160**	**(2,697)**	**70,550**
Provision for inventory losses	(9,119)	(1,092)	644	(9,567)
Total	**60,968**	**2,068**	**(2,053)**	**60,983**

The increase of €2,068 thousand, net of the inventory loss provision, mainly reflects bonded inventory for the purchase of spare parts for operating systems used for air navigation, including spare parts to support radar and lighting aids. Part of the increase, equal to €448 thousand, was attributable to parts of systems classified to inventories from property, plant and equipment. The decrease of €2,053 thousand, gross of the inventory loss provision, reflected the use of spare parts in operating systems.

The provision for inventory losses increased by €1,092 thousand for replacement parts that became obsolete as they were designed for plant no longer in use and decreased by €644 thousand following the disposal of spare parts already written down in previous years.

The spare parts in the bonded inventory are deposited with the subsidiary Techno Sky, which manages them on behalf of ENAV.

13. Intercompany receivables and payables

Receivables and payables with Group companies amounted to €22,592 thousand (€18,393 thousand at 31 December 2017) and €56,385 thousand (€45,151 thousand at 31 December 2017), respectively, both increasing, by €4,199 thousand and €11,234 thousand.

The following table provides a breakdown of **intercompany receivables**:

(thousands of euros)	**31.12.2018**	31.12.2017	Change
Due from Group Companies			
Techno Sky	22,488	17,929	4,559
Enav Asia Pacific	85	84	1
D-Flight	18	0	18
Consorzio Sicta in liquidazione	1	380	(379)
Total	**22,592**	**18,393**	**4,199**

The increase of €4,199 thousand refers mainly to transactions with the subsidiary Techno Sky. The credit position with Techno Sky amounts to €22,488 thousand (€17,929 thousand at 31 December 2017) and is mainly represented by the correspondent current account on which the advances paid to the company are recorded and subsequently used to offset the invoices payable received by it. Receivables from the Sicta

Consortium in liquidation decreased as a result of the reimbursement to ENAV of the excess pre-financing disbursed under SESAR 2020 for the entire Wave 1, before the Consortium was put into liquidation.

The following table provides a breakdown of **intercompany payables**:

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Due to Group Companies			
Techno Sky	56,385	43,950	12,435
Consorzio Sicta in liquidazione	0	1,201	(1,201)
Total	**56,385**	**45,151**	**11,234**

The increase of €11,234 thousand mainly refers to transactions with the subsidiary Techno Sky, which ENAV has a debt of €56,385 thousand referring to the provision for invoices to be received for the last two months of the maintenance fee for both operational and non-operational systems, maintenance of lighting aids, activities related to investment projects for ENAV, which increased as a result of greater activities carried out during the year by Techno Sky. During the year, ENAV settled payables to the Consortium in full.

14. Other current and non-current assets

Other current assets amounted to €60,442 thousand and other non-current assets totalled €22,110 thousand, both increasing compared with the previous year. The item breaks down as follows:

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Receivables from government entities for capital grants	34,839	3,397	31,442
Receivables from personnel	3,669	3,410	259
Receivables from various entities for projects funded	21,595	3,209	18,386
Prepaid expenses	659	1,039	(380)
Other receivables	2,704	2,411	293
	63,466	**13,466**	**50,000**
Bad debt provision	(3,024)	(3,035)	11
Total	**60,442**	**10,431**	**50,011**

Receivables from government entities for capital grants increased by a total of €53,862 thousand in 2018, reflecting investment projects eligible for NOP 2014-2020 financing, in compliance with the agreements with the Ministry of Infrastructure and Transport and following registration of the accords with the Court of Auditors. Since some of these investment projects are in progress and others are in the start-up phase, €22,420 thousand, which was discounted to €22,110 thousand based on the estimated time to recover the receivable, was reclassified to other non-current assets. Certified accounts for a total of €16.9 million in projects were reported in 2018, of which a portion was received in the early months of 2019.

Receivables from personnel refers to the advances paid to employees for travel expenses and not yet completed at the end of the year, of which the largest portion (€3,024 thousand) regards expense advances paid to former employees of the Company, already investigated by judicial authorities and prudently written down in previous years. Following the rulings no. 745/2011 and no. 966/2012 of the Court of Auditors, which sentenced the defendants to repay the sums, a number of repayment plans were established to recover the receivable. In 2018, €11 thousand were collected, reducing the provision. In order to secure the receivable, one fifth of pension payments and severance benefits were placed under sequestration, while current accounts and, for some parties, real estate were also seized.

Receivables from various entities for projects funded, totalling €21,595 thousand, showed a net increase of €18,386 thousand, mainly reflecting the recognition of receivables for projects financed under the Connecting European Facility, 2014 and 2015 call, in the amount of €17.5 million in 2018, and the recognition of the co-financing pertaining to the year for the SESAR 2020 programme.

Prepaid expenses decreased by €380 thousand in 2018, mainly due to the attribution to profit or loss of the commission paid to Banca Nazionale del Lavoro for a committed line of credit granted for a period of three years expiring on 31 December 2019.

15. Cash and cash equivalents

The following table provides a breakdown of cash and cash equivalents at 31 December 2018.

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Bank and post office deposits	308,171	257,519	50,652
Cash and cash equivalents on hand	35	31	4
Total	**308,206**	**257,550**	**50,656**

Cash and cash equivalents amounted to €308,206 thousand, a net increase of €50,656 thousand compared with the previous year, reflecting, in addition to developments in receipts and payments connected with ordinary operations, which produced a positive cash flow, the following main events: i) payment of the dividend of €100.9 million; ii) payment to the MEF of €45.9 million as the net amount of the payable for en-route receipts and the receivable for exempt flights; iii) financial investments amounting to €33.9 million; iv) repayment of loans of €29 million; v) payment to the Italian Air Force of its share of terminal receipts in the amount of €15.7 million; and vi) payment of the balance and payments on account in respect of IRES and IRAP tax liabilities totalling €39.8 million. These developments were partly offset by the receipt of the prefinancing on the project funded by the Connecting European Facility 2014 and 2016 call, the interim payment of SESAR 2020 and other projects for a total of €17.9 million.

Cash and cash equivalents are not restricted by encumbrances limiting their availability.

16. Shareholders' equity

Shareholders' equity at 31 December 2018 amounted to €1,139,897 thousand and breaks down as follows.

(thousands of euros)	31.12.2018	31.12.2017	Change
Share capital	541,744	541,744	0
Legal reserve	26,663	21,938	4,725
Other reserves	437,560	436,798	762
IAS FTA reserve	(3,045)	(3,045)	0
Reserve for actuarial gains/(losses) for employee benefits	(6,256)	(7,139)	883
Cash flow hedge reserve	1,957	2,017	(60)
Reserve for treasury shares	(4,973)	0	(4,973)
Retained earnings/(loss carryforward)	43,312	54,852	(11,540)
Profit/(loss) for the year	102,935	94,505	8,430
Total shareholders' equity	**1,139,897**	**1,141,670**	**(1,773)**

On 27 April 2018 at the Ordinary Shareholders' Meeting called, among other things, to approve the financial statements at 31 December 2017, it was decided to distribute to the shareholders a dividend of €0.1864 per share corresponding to a total dividend of €100,981 thousand. This amount was paid from the net profit of €89,780 thousand, after the allocation of 5%, equal to €4,725 thousand, to the legal reserve, and from retained earnings in the amount of €11,201 thousand.

Share capital consists of 541,744,385 ordinary shares with no par value, of which 53.28% are held by the Ministry for the Economy and Finance, 46.50% by institutional and individual shareholders and 0.22% by ENAV in the form of treasury shares. These shares were acquired during the year following the authorisation granted by the Ordinary Shareholders' Meeting of 27 April 2018 for the purchase of a maximum of 1,200,000 shares to serve the Long-Term Incentive Plans. At 31 December 2018 all the shares are subscribed and paid up and no preference shares have been issued.

The **legal reserve** represents the share of profits that under the provisions of Article 2430 of the Civil Code cannot be distributed as dividends. In 2018, 5% of profit for the year was allocated to the legal reserve in an amount equal to €4,725 thousand.

Other reserves include €36.4 million in the reserve for capital grants received in 1996-2002, which is reported net of taxes that have been discharged thereby making the reserve available, as well as €400 million from the allocation of the voluntary reduction of share capital and €1,201 thousand for the reserve for the long-term incentive plan for the Company's management.

The **translation reserve** for the conversion of financial statements denominated in foreign currencies reflects exchange differences generated by the translation into euros of the financial statements of companies operating in areas other than the euro area.

The **IAS FTS reserve** (first-time adoption) reflects differences in the values of assets and liabilities recognised at the time of initial adoption of international accounting standards.

The **reserve for actuarial gains/(losses) for employee benefits** includes the effects of the actuarial changes in employee severance benefits, net of the tax effect. The change reflects the actuarial gain registered at 31 December 2018.

The **cash flow hedge reserve** includes the impact of the measurement at fair value of hedging derivatives, which shows a net decrease of €60 thousand for the year.

The **treasury share reserve** reports the value treasury shares purchased during the year, with a total of 1,200,000 treasury shares at an average price of €4.14 per share.

Retained earnings/(loss carryforward) reflects results for previous years of the companies included in the scope of consolidation and adjustments made at the consolidated level. The decrease of €11,540 thousand on the previous year reflects the distribution of the 2017 dividend and €338 thousand from the effects of the application of IFRS 9 and IFRS 15 with effect from 1 January 2018, net of deferred taxes.

Profit for the year amounted to €102,935 thousand.

The following table gives a breakdown of equity reserves with an indication of their availability for use, in compliance with the provisions of Article 2427 of the Civil Code and IAS 1.

	Amount	Possible uses
Capital reserves		
Other reserves	431,385	A, B, C
Earnings reserves		
Legal reserve	26,663	unavailable
IAS FTA reserve	(3,045)	unavailable
Reserve for actuarial gains/(losses) for employee benefits	(6,256)	unavailable
Cash flow hedge reserve	1,957	unavailable
Stock grant reserve	1,201	unavailable
Retained earnings	43,312	A, B, C
Total reserves	**495,217**	

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

Capital management

The capital management objectives of ENAV are creating value for stakeholders and supporting long-term development. In particular, ENAV seeks to maintain an adequate level of capitalisation that enables it to access external sources of financing while optimising borrowing costs and enabling it to adequately support the development of the Company's activities. In the year ended 31 December 2018, no changes were made to the capital management objectives, policies and procedures.

17. Provisions for risks and charges

Provisions for risks and charges amounted to €2,402 thousand, of which the portion classified in current liabilities totalled €992 thousand, and changed as follows during the year:

(thousands of euros)	31.12.2017	Increases	To profit or loss	Decreases	31.12.2018
Provisions for disputes with personnel	1,667	0	(655)	(92)	920
Provisions for other pending litigation	910	0	(765)	(73)	72
Other risks provision	6,588	0	(1,836)	(3,342)	1,410
Total provisions for risks and charges	**9,165**	**0**	**(3,256)**	**(3,507)**	**2,402**

Provisions for disputes with personnel, the short-term portion of which stood at €920 thousand, includes liabilities that could emerge as a result of labour disputes of various kinds. The provision declined by a total of €747 thousand during the year, of which €92 thousand was for the termination of disputes and €655 thousand resulted from the lapse of liabilities identified in the past by the Company. At 31 December 2018 the total value of legal claims relating to outstanding disputes for which Company legal counsel have deemed the risk of a loss to be possible is €0.9 million.

Provisions for other pending litigation, classified entirely at short term, decreased by €838 thousand during the year, reflecting the settlement of a dispute with a supplier in June. At 31 December 2018, the estimated charges related to outstanding disputes for which Company legal counsel have deemed the risk of a loss to be possible is €2.3 million.

Other risk provisions, classified entirely under non-current liabilities, decreased by a total of €5,178 thousand as the result of the settlement of a number of disputes with suppliers regarding contracts terminated in previous years. In particular, with the signing of the settlement agreement referring to the contract for the modernization of flight assistance systems at the Parma airport, whose assets, classified as property, plant and equipment under construction, had been provisioned to account for their future non-usability given the length of the dispute settlement process and the obsolescence of the assets, the value of the assets still considered to be usable, equal to €1.8 million, has been recognised through profit or loss and the remainder has been charged against the value recognised under property, plant and equipment under construction in the amount of €1.6 million. The provision was also used in the amount of €1.8 million to cover amounts capitalised in plant that can no longer be used.

18. Severance pay and other employee benefits

The provision for severance pay and other employee benefits amounted to €35,475 thousand, and is composed of the severance pay provision governed by Article 2120 of the Civil Code, which reports the estimated liability determined using actuarial techniques in respect of amounts payable to ENAV Group employees at the end of their employment relationship.

Developments in the liability for severance pay and other employee benefits during the year break down as follows:

(thousands of euros)	**31.12.2018**	**31.12.2017**
Liabilities for employee benefits at the beginning of the year	**37,703**	**38,562**
Interest cost	524	553
Actuarial (gains)/losses on defined benefits	(1,162)	(55)
Advance, benefit payments and other variations	(1,590)	(1,357)
Liabilities for employee benefits at the end of the year	**35,475**	**37,703**

The interest cost component of the provision, equal to €524 thousand, was recognised under financial expense. The utilisation of €1,590 thousand of the severance pay provision reflected benefits paid out to personnel leaving the Group during the year, advances disbursed to personnel who so requested and, to a small extent, the direct monthly payment of severance pay as a supplement to remuneration ("QU.I.R.") in compliance with the provisions of the 2015 Stability Act for personnel who exercised this option.

The difference between the expected value of provision at the end of observation period and the expected present value of benefits payable in the future, recalculated at period end on the basis of the updated assumptions, represents the actuarial gain (loss). In 2018 this calculation generated actuarial gains of €1,162 thousand, an increase of €55 thousand on the actuarial gain recognised at 31 December 2017.

The main actuarial assumptions used in the actuarial estimation of the severance pay provision at 31 December 2018 are summarised below, with comparative figures at 31 December 2017:

	31.12.2018	**31.12.2017**
Discount rate	1.57%	1.30%
Inflation Rate	1.50%	1.50%
Rate of annual increase in severance pay	2.625%	2.625%
Expected turnover rate	4.00%	4.00%
Expected rate of advances	2.50%	2.50%

The discount rate used to calculate the present value of the obligation was determined, consistent with paragraph 83 of IAS 19, using the IBoxx Corporate AA Index with a duration of 10+observed at the measurement date and commensurate with the average length of future service of the personnel involved. The inflation curve was calculated on the basis of current economic developments, where the majority of economic indicators have been particularly volatile. The annual rate of increase in severance pay 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 measurement are reported below.

	31.12.2018	31.12.2017
Death	IPS55	IPS55
Disability	INPS tables by age and gender	INPS tables by age and gender
Retirement	100% upon meeting requirements for mandatory general pension	100% upon meeting requirements for mandatory general pension

The following provides a sensitivity analysis of the severance pay liability in alternative scenarios for the actuarial assumptions.

	Liabilities for defined benefit for employees	
(thousands of euros)	**31.12.2018**	**31.12.2017**
Turnover rate + 1%	35,469	37,524
Turnover rate - 1%	35,773	38,023
Inflation rate + 0.25%	36,159	38,359
Inflation rate - 0.25%	35,077	37,171
Discount rate + 0.25%	34,757	36,818
Discount rate - 0.25%	36,501	38,738

The average duration of the liability for defined benefit plans is 10.5 years.

The following table provides a schedule of expected disbursements on the severance pay provision in subsequent years.

(thousands of euros)	Payments expected
within 1 year	2,109
between 1 and 2 years	2,055
between 2 and 3 years	1,981
between 3 and 4 years	1,985
between 4 and 5 years	1,847

19. Current and non-current financial liabilities

Current and non-current financial liabilities include: i) payables to credit institutions for medium/long-term loans with the short-term portion reported under current financial liabilities inclusive of interest expense recognised on an accrual basis; ii) the bond issued on 4 August 2015, with interest expense accrued for at 31 December 2017 included under current liabilities.

The values at 31 December 2018 compared with those for the previous year and the associated changes are shown below:

	31.12.2018			**31.12.2017**			**Change**		
(thousands of euros)	**current**	**non-current**	**Total**	**current**	**non-current**	**Total**	**current**	**non-current**	**Total**
Bank loans	13,506	157,253	170,759	29,044	170,670	199,714	(15,538)	(13,417)	(28,955)
Bond	1,418	180,000	181,418	1,418	180,000	181,418	0	0	0
Total	**14,924**	**337,253**	**352,177**	**30,462**	**350,670**	**381,132**	**(15,538)**	**(13,417)**	**(28,955)**

The following table provides a breakdown of net financial debt at 31 December 2018 compared with the previous year, in accordance with the requirements of the Consob Communication of 28 July 2006 and in compliance with the provisions of the recommendation ESMA/2013/319 of 20 March 2013.

(thousands of euros)	31.12.2018	of which related parties	31.12.2017	of which related parties
(A) Cash	308,206	558	257,550	558
(B) Other cash equivalents	0	0	0	0
(C) Trading securities	0	0	0	0
(D) Liquidity (A)+(B)+(C)	**308,206**	**558**	**257,550**	**558**
(E) Current financial receivables	**9,001**	**0**	**0**	**0**
(F) Current financial debt	0	0	0	0
(G) Current portion of non-current debt	(14,924)	0	(30,462)	(1,664)
(H) Other current financial debt	0	0	0	0
(I) Current financial debt (F)+(G)+(H)	**(14,924)**	**0**	**(30,462)**	**(1,664)**
(J) Net current financial debt/liquidity (D)+(E)+(I)	**302,283**	**558**	**227,088**	**(1,106)**
(K) Non-current bank loans	(157,253)	0	(170,670)	0
(L) Bonds issued	(180,000)	0	(180,000)	0
(M) Other non-current debt	0	0	0	0
(N) Non-current financial debt	**(337,253)**	**0**	**(350,670)**	**0**
(O) CONSOB Net financial debt (J)+(N)	**(34,970)**	**558**	**(123,582)**	**(1,106)**
(P) Current and non-current derivative instruments	6	0	325	0
(Q) Non-current financial receivables	28,106	0	0	0
(R) ENAV net financial debt (O)+(P)	**(6,858)**	**558**	**(123,257)**	**(1,106)**

Bank loans at 31 December 2018 increased by a net €28,955 thousand following the repayment of loans and the effects associated with amortised cost measurement. Specifically, repayments involved the following loans:

- the repayment of the final two half-year instalments of the loan from Unicredit S.p.A. totalling €8,000 thousand due 30 November 2018;
- the repayment of the final instalment of the loan from Unicredit S.p.A. totalling €10,000 thousand due 30 June 2018;
- the repayment of the final instalment of the loan from Medio Credito Centrale in the amount of €1,667 thousand, due 31 May 2018.
- the repayment of the first two half-year instalments of the loan from the EIB, repayment of which began in 2018, in the total amount of €5,333 thousand, with the final payment falling due on 12 December 2032;
- the repayment of the first instalment of the loan from the EIB, repayment of which began in 2018, in the total amount of €3,996 thousand, with the final payment falling due on 19 December 2029.

The instalments of the above loans falling due in 2019 in line with the repayment plans are recognised under current liabilities in the total amount of €13,506 thousand, which includes the effect of amortised cost measurement.

At 31 December 2018, the Company had unused short-term credit lines totalling €204 million, including committed lines of €70 million and uncommitted lines of €134 million, in addition to the share of the EIB loan of €70 million not yet used, resulting in available liquidity of €274 million.

The following table provides an analysis of the loans with the general conditions for each individual ENAV credit relationship with the lenders. With regard to advances from the Unicredit and Intesa San Paolo, note that the conditions applied are agreed on a case-by-case basis and reflect market developments.

Lender	Type	Amount granted	Amount used (nominal value)	Amount available	Book value	Rate
BNL-BNP Paribas	Acc. credit - overdraft	14,000	0	14,000	0	Euribor + spread
BNL-BNP Paribas	Committed credit line	70,000	0	70,000	0	Euribor + spread
Unicredit	Export advances	15,000	0	15,000	0	Euribor + spread
Unicredit	Import advances	10,000	0	10,000	0	Euribor + spread
Unicredit	Financial advances	40,000	0	40,000	0	Euribor + spread
Intesa San Paolo	Financial advances	55,000	0	55,000	0	Euribor + spread
EIB - European Investment Bank	15-year loan	250,000	180,000	70,000	170,759	Fixed rate + 1.515/1.010
Total		**454,000**	**180,000**	**274,000**	**170,759**	

The average interest rate on bank loans in the reference period was 1.66%, broadly in line with the rate for the previous year (1.56%).

On 4 August 2015, ENAV issued a bond with a nominal value of €180 million, which is listed on the Luxembourg Stock Exchange’s regulated market and has a maturity of seven years, with full repayment at maturity (4 August 2022). The bond issue provides for the payment in arrears of an annual fixed-rate coupon of 1.93% of the nominal value. The interest accrued for the year amounted to €3,474 thousand, of which the portion not disbursed, equal to €1,418 thousand, was classified under current liabilities.

In relation to the disclosure required under IFRS 7, the fair value of the bond, understood as the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, was estimated at €187.45 million.

The Company estimated the fair value of the bond on the basis of prices and yields observed on the market for debt instruments with similar maturities and risk profiles, using market data from a leading information provider, applying an additional spread for the ENAV counterparty to the zero curve.

In accordance with amendments at 1 January 2017 of IAS 7, paragraph 44B, the only non-cash changes recognised in 2018 reflected the marginal impact of amortised cost measurement.

20. Current and non-current trade payables

Trade payables amounted to €120,319 thousand, a decrease of €4,665 thousand on the previous year, reflecting the changes in the items reported in the following table:

(thousands of euros)	31.12.2018	31.12.2017	Change
Current trade payables			
Payables to suppliers	82,933	94,778	(11,845)
Payables for advances received for projects with EU financing	14,489	13,715	774
Payables for Balances	22,897	16,491	6,406
Total	**120,319**	**124,984**	**(4,665)**
Non-current trade payables			
Payables for Balances	34,842	23,648	11,194
Total	**34,842**	**23,648**	**11,194**

Payables to suppliers of goods and services necessary for the Company's operations decreased by €11.8 million, due both to payments and write-offs of outstanding positions from previous years that were closed as a result of settlements between the parties and to a decline in purchases under operating contracts in 2018.

Payables for advances received for projects with EU financing, amounting to €14,489 thousand, increased by a net €774 thousand compared with 31 December 2017. The item includes: i) pre-financing received for the Connecting Europe Facility (CEF), financed at 50%, referring to the first pre-financing of the 2016 call in the amount of €11.4 million, the third pre-financing of the 2014 call for 2017 activities in the amount of €1.3 million, and to the receipts obtained under the SESAR 2020 programme. The item decreased by €10.3 million euro following the final accounting for the CEF project referring to the 2014 and 2015 calls, which took place in July 2018, and the recognition in profit or loss of accrued amounts and the recognition of receivables from others of the amounts to be received as an interim payment from the European Commission.

Payables for Eurocontrol Balances amounted to €57,739 thousand, of which the part classified under current payables came to €22,897 thousand and corresponds to the amount that will be charged to profit or loss in 2019 in accordance with changes in charges. The overall increase of €17.6 million in payables for Balances at 31 December 2018 compared with the previous year mainly reflect the recognition in 2018 of larger negative Balances, posted under non-current trade payables and including: i) the en-route inflation balance of €15,278 thousand (€13,491 thousand in 2017), determined by calculating the planned costs for 2018, with a knock-on effect from the start of the performance plan beginning in 2015, in accordance with the charging mechanism, the percentage of inflation forecast in the performance plan (1.5%) compared with the actual figure, which was 1.2%; ii) the terminal inflation balance for charging zones 1 and 2, calculated using the same methodology as for the en-route, equal to €2,610 thousand (€2,251 thousand in 2017); iii) the traffic balance for terminal Charging Zone 2 of €4,526 thousand as a result of the increase in service units actually recorded compared with the planned figure of +7.0% (€2,530 in 2017); iv) the balance for Charging Zone 3 calculated on a cost-recovery basis, which amounted to €1,829 thousand in reflection of the difference between actual costs and revenues compared with the planned figures (€5,167 thousand in 2017); v) the Eurocontrol costs balance, referring to the difference generated between the amount incorporated in charges in 2017 and 2018 in accordance with the data declared in the performance plan and the amount actually generated in 2017 and included in the budget for 2018 approved by the Eurocontrol Permanent Commission. These costs, which are not covered by the cost-sharing mechanism, are reimbursed to carriers through the balance mechanism and totalled €10.6 million.

21. Other current and non-current liabilities

Other current and non-current liabilities showed an overall increase of €67,235 thousand compared with the previous year, as a result of the changes in the items reported in the following table:

	31.12.2018			31.12.2017			Change		
(thousands of euros)	current	non-current	Total	current	non-current	Total	current	non-current	Total
Payments on account	80,985	0	80,985	72,195	0	72,195	8,790	0	8,790
Other payables	38,526	0	38,526	45,495	0	45,495	(6,969)	0	(6,969)
Deferred income	7,304	172,486	179,790	8,123	106,253	114,376	(819)	66,233	65,414
Total	**126,815**	**172,486**	**299,301**	**125,813**	**106,253**	**232,066**	**1,002**	**66,233**	**67,235**

Payments on account amounted to €80,985 thousand and include €76,535 thousand in respect of the debt to the Italian Air Force (IAF) for the portion of accrued revenues received in 2018 for en-route and terminal services and €4,450 thousand in respect of the debt to Italian Civil Aviation Authority (ENAC) for accrued revenues concerning the same services. The net increase of €8,790 thousand for the year reflects the increase in receipts for en-route and terminal services and pertaining to the Italian Air Force and ENAC. During the year, the item was affected by the following events: i) offsetting of IAF payments on account for en-route services registered at 31 December 2017 in the amount of €59,882 thousand against the receivable due from the Ministry for the Economy and Finance (MEF) of €13,932 thousand, with the associated liability recognised in the amount of €45,950 thousand under other payables, which was paid in December; ii) payment to the IAF of the receipts pertaining to it for terminal services in an amount of €15,698 thousand; iii) payment of the 2017 amount pertaining share to ENAC in the amount of €3,494 thousand; iv) recognition of the amounts accrued in 2018, pertaining to the IAF and ENAC for a total of €87,865 thousand (€77,491 thousand in 2017).

Other payables amounted to €38,526 thousand, a net decrease of €6,969 thousand compared with the previous year. This reflected both the decrease in the payable for supplementary pension plans, in particular in respect of Prevaer, following the change in the payment times decided at the beginning of the year, shifting from semi-annual payments to monthly payments, and the reduction in payables to personnel, with provisions accrued totalling €31,427 thousand (€32,885 thousand at 31 December 2017). In particular, the reduction is associated with the liability for holiday entitlement accrued and not taken, which declined as a result of greater use of that entitlement in 2018.

Deferred income mainly refers to deferred income relating to investment projects that had received grant support. In particular, the item includes: i) the NOP Infrastructure and Networks grants for the period 2000-

2006, 2007-2013 and 2014-2020 concerning specific investments made in southern airports in the amount, net of amounts taken to profit of loss, of €89,005 thousand (€40,542 thousand at 31 December 2017). The net change for the year of €48,463 thousand includes €5,399 thousand in respect of the reversal to profit or loss of the accrued portion for the year of the amortisation of the investments to which the grants refer and €53,862 thousand in respect of the investment projects recognised for the purposes of the PON 2014-2020 funding, in accordance with the agreements signed with the Ministry of Infrastructure and Transport, which were registered with the Court of Auditors during 2018. The current portion amounted to €3,763 thousand and represents the amount that will be reversed to profit or loss in the next 12 months; ii) capital grants for investments at military airports, in accordance with the provisions of Law 102/09, amounted to €61,672 thousand (€63,583 thousand at 31 December 2017), a decrease of €1,911 thousand reflecting the reversal to profit or loss of the amount accrued for the year for the modernisation of the technology systems at the Verona Villafranca airport and for the projects carried out at the Verona, Comiso, Rome Ciampino, Treviso, Brindisi and Rimini airports. The current portion amounted to €1,985 thousand; iii) other investment grants amounting to €4,865 thousand (€5,094 thousand at 31 December 2017), mainly referring to European funding obtained under TEN-T; iv) grants linked to the investment projects funded through the 2014 and 2015 call of the CEF programme in the amount of €24,226 thousand (€5,105 thousand at 31 December 2017), a net increase of €19,121 thousand following the final accounting of the investment projects receiving 50% funding under the 2014 and 2015 calls of the CEF programme, decreased by the €1,559 thousand grant for the year. The current portion amounts to €1,306 thousand.

22. Tax and social security payables

Tax and social security payables amounted to €24,476 thousand and break down as shown in the following table.

(thousands of euros)	**31.12.2018**	**31.12.2017**	**Change**
Tax payables	7,129	11,107	(3,978)
Social security payables	17,347	20,356	(3,009)
Total	**24,476**	**31,463**	**(6,987)**

Tax payables showed a net decrease of €3,978 thousand, mainly attributable to the IRES credit for 2018, compared with a liability of €4,627 thousand the previous year. That change was partially offset by the recognition of an IRAP payable for 2018 of €294 thousand and withholding taxes on employee remuneration, which was paid to the tax authorities in January 2019.

Social security payables include both the social security contributions on employee remuneration for December 2018, which were paid in the following month, and the share of the contributions on personnel costs recognised in the amount of €8,655 thousand (€11,495 thousand at 31 December 2017).

Notes to the income statement

23. Revenues from contracts with customers

Revenues from contracts with customers, represented by revenues from operating activities and revenues from balances, totalled €836,429 thousand, down €5,550 thousand compared with the previous year, mainly due to the negative impact of the Balances item.

The following tables provide a breakdown of the individual items that make up the revenues from contracts with customers in addition to a breakdown of those revenues by nature and type of activity in accordance with the requirements of IFRS 15. It should be noted that 2017 contains only a restatement of the figures, considering that the effects ascribable to the new standard were recognised in opening shareholders' equity at 1 January 2018.

(thousands of euros)	**2018**	**2017**	**Change**	**%**
En-route revenues	675,414	615,331	60,083	9.8%
Terminal revenues	222,580	219,554	3,026	1.4%
En-route and terminal exemptions	13,074	13,929	(855)	-6.1%
Revenues from non-regulated market	6,048	10,388	(4,340)	-41.8%
Total revenues from operations	**917,116**	**859,202**	**57,914**	**6.7%**
Balances	(80,687)	(17,223)	(63,464)	368%
Total revenues from contract with customers	**836,429**	**841,979**	**(5,550)**	**-0.7%**

En-route revenues

En-route revenues amounted to €675,414 thousand, an increase of 9.8% or €60,083 thousand compared with the previous year, reflecting the increase of 9.3% in service units recognised during the year, which involved all three types of air traffic (national, international and overflight), compared with the final balance for 2017 (+4.0% in 2017 over 2016). The en-route rate applied in 2018 was €79.98 (€80.00 in 2017), which although substantially unchanged overall, represents a decrease of 3.8% if only the charge net of Balances is considered.

Considering en-route revenues including the exempt flights component, which posted a decrease of €752 thousand as a result of the decline of 6.6% in service units during the year (+2.0% in 2017 over 2016), and the adjustment component for Balances, which includes the portion recognised in 2018 including the effect of discounting, the portion included in charges in 2018 and, consequently, profit or loss for the same year, and the balance for changes in Eurocontrol costs, en-route revenues totalled €613,975 thousand, a decrease of €2,836 thousand compared with 2017, as shown below:

(thousands of euros)	**2018**	**2017**	**Change**
En-route revenues	675,414	615,331	60,083
En-route exemptions	10,447	11,199	(752)
Subtotal en-route revenues	*685,861*	*626,530*	*59,331*
En-route balances for the year	(12,909)	15,551	(28,460)
Discounting of balances for the year	286	(239)	525
Use of en-route balances n-2	(54,668)	(25,028)	(29,640)
Subtotal balances	*(67,291)*	*(9,716)*	*(57,575)*
En-route revenues net of balances	*618,570*	*616,814*	*1,756*
Balances delta Eurocontrol costs prev. year	(4,595)	(3)	(4,592)
Total revenues from en-route operations net of balances	**613,975**	**616,811**	**(2,836)**

The en-route balance had a negative impact totalling €67,291 thousand in respect of the part directly connected with revenues generated in the year and an additional negative €4,595 thousand in respect of the difference between in actual Eurocontrol costs for 2017 approved in the second half of 2018 and the amount declared in the performance plan. These costs, which are not included in to the cost-risk mechanism, are reimbursed to carriers through the balance mechanism. In order to measure the actual amount accrued for the services provided during the year, the change in the Eurocontrol cost balance, for 2018 as well, was recorded on the basis of the amount incorporated in charges as provided for in the performance plan with respect to that reported in the 2018 budget presented by Eurocontrol and approved by the Eurocontrol Permanent Commission in the negative amount of €5,989 thousand. This amount is one of the components of the change in the en-route balance for 2018 compared with the previous year, which amounted to €28,460 thousand. The other change is mainly attributable to the traffic risk balance, not recognised in 2018, as the difference between en-route service units recorded during the year and the amount set out in the performance plan, was equal to -1.25% or €7.2 million (-6.3% in 2017 for €17,232 thousand), a variation that falls within +/-2% band that is borne by the service providers. The balance for the year includes a negative €15,278 thousand in respect of the inflation balance (€13,491 thousand in 2017), reflecting the effects of the charging mechanism, which creates a knock-on effect as a result of its value starting from the first year of the performance plan (2015), and actual inflation of 1.2% (1.5% envisaged in the performance plan). The remaining positive €8,359 thousand includes, among other factors, a meteorological services balance of €190 thousand (€949 thousand in 2017) and the balance for the bonus related to the achievement of the plan target for en-route capacity in the amount of €6,859 thousand (€6,265 thousand in 2017), having posted 0.024 minutes of delay per assisted flight, compared with the target of 0.11 minutes per assisted flight set in the plan.

The use of the en-route n-2 balance associated with the use in the 2018 charges, and thus in profit or loss, of the Balances recorded in previous years amounted to €54,668 thousand, an increase of €29,640 thousand compared with 2017, due to the increase in the amount of Balances included in charges compared with the previous year.

Terminal revenues

Terminal revenues amounted to €222,580 thousand, an increase of 1.4% compared with the previous year, due to the increase in service units posted by the individual airports, divided by charging zones, which came to 5.1% overall compared with actual performance in 2017 (+3.1% in 2017 over 2016). This compensates for the reduction in charges applied in the three charging zones.

In particular, Charging Zone 1, represented by Rome Fiumicino airport, posted an increase in assisted air traffic, expressed in service units, of +5.7% (-3.5% in 2017 on 2016). This rise offset the 0.67% reduction in the terminal charge for 2018 to €187.30 (€188.57 in 2017). Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted an increase in assisted air traffic, expressed in service units, of 5.3% on 2017 (+4.4% in 2017 on 2016), which offset the reduction of 3.28% in the terminal charge for 2018 to €203.06 (€209.95 in 2017). Charging Zone 3, which comprises 40 medium- and low-traffic airports recorded an increase in assisted air traffic, expressed in service units, of +4.8% (+6.1% 2017 on 2016), which largely offsets 1.11% reduction in the terminal charge for 2018 to €320.18 (€323.79 in 2017).

Considering terminal revenues including the exempt flights component, which decreased by €102 thousand with service units broadly unchanged compared with the previous year (-0.6% in 2017 over 2016), and the adjustment component for Balances, which includes the portion recognised in 2018 including the effect of discounting, the portion recognised in previous years and included in charges in 2018 and, consequently, profit or loss for the same year, terminal revenues totalled €216,406 thousand, up €1,627 thousand on 2017, as shown below:

(thousands of euros)	2018	2017	Change
Terminal revenues	222,580	219,554	3,026
Terminal exemptions	2,627	2,729	(102)
Subtotal	*225,207*	*222,283*	*2,924*
Terminal balances for the year	(8,396)	(8,584)	188
Discounting of balances for the year	137	132	5
Use of terminal balances n-2	(542)	948	(1,490)
Subtotal	*(8,801)*	*(7,504)*	*(1,297)*
Total revenues from terminal operations net of balances	**216,406**	**214,779**	**1,627**

Terminal Balances amounted to a negative €8,801 thousand, an increase of €1,297 thousand compared with 2017, mainly due to the increase in the use of the balance recognised in previous years and included in the charge in 2018 and thus recognised in profit or loss. With regard to the terminal Balances for the year, an overall negative balance of €792 thousand (a positive €296 thousand in 2017) was posted by Charging Zone 1, with a balance of €122 thousand for traffic risk, reflecting the decrease of 2.42% in service units generated in 2018 compared with the performance plan forecast (-5.4% in 2017), a negative inflation balance of €1,065 thousand (€917 thousand in 2017) and a balance for the terminal capacity bonus of €86 thousand (€82 thousand in 2017). The Charging Zone 2 posted an overall negative balance of €5,775 thousand (a negative €3,712 thousand in 2017), mainly reflecting the traffic balance reimbursed to carriers for the greater assisted air traffic posted in the final accounts compared with the performance plan forecast (+7.0%), the negative inflation balance of €1,545 thousand (€1,334 thousand euro in 2017) and the capacity bonus of €133 thousand (€131 thousand euro in 2017).

Charging Zone 3 posted a balance for reimbursement, determined on a cost-recovery basis, of a negative €1,829 thousand (-€5,167 thousand in 2017), representing the change in actual revenues and costs with respect to the forecast amounts incorporated in the charge.

Revenues from the non-regulated market amounted to €6,048 thousand, a decrease of 41.8% compared with the previous year, mainly due to the completion of certain projects carried out on the foreign market, including the restructuring of the airspace in the United Arab Emirates, which generated revenues of €0.7 million (€3.4 million in 2017), the training of Libyan controllers, which had generated revenues of €0.8 million in 2017, and the analysis of instrument flight procedures and the restructuring of Moroccan airspace. On the other hand, work continued on flight inspection activities in Saudi Arabia and Kenya, with total revenues of about €2 million, and activities performed for the French company European Satellite Services Provider SaS for the maintenance and operation of the EGNOS ground systems installed at Rome Ciampino and Catania.

The following table provides a breakdown of non-regulated market revenues by type of activity.

(thousands of euros)	**2018**	**2017**	**Change**	**%**
Revenues from non-regulated market				
Flight inspection	2,593	2,892	(299)	-10.3%
Aeronautical consulting	1,403	4,562	(3,159)	-69.2%
Technical and engineering services	791	716	75	10.5%
Training	248	1,079	(831)	-77.0%
Other revenues	1,013	1,129	(116)	-10.3%
Total revenues from non-regulated market	**6,048**	**10,378**	**(4,330)**	**-41.7%**

24. Other operating income

Other operating income amounted to €56,116 thousand, an increase of 21.7% compared with the previous year, attributable to both European funding under 2014 and 2015 Connecting Europe Facility (CEF) projects reported in 2018 and to the effects of the settlement of a number of outstanding positions suppliers.

(thousands of euros)	**2018**	**2017**	**Change**	**%**
Capital grants	9,098	9,731	(633)	-6.5%
Operating grants	30,864	30,224	640	2.1%
European funding	9,137	2,138	6,999	327.4%
Other revenues and income	7,017	4,019	2,998	74.6%
Total	**56,116**	**46,112**	**10,004**	**21.7%**

Capital grants refer to the recognition in profit or loss of part of the deferred income commensurate with the depreciation charges on the assets to which the grant refers, as discussed in Note 21.

Operating grants include €30 million in respect of the amount paid to the ENAV, as occurred the previous year, under Article 11-*septies* of Law 248/05 to offset the costs incurred to guarantee the safety of its plant and operational safety. The remainder of €864 thousand refers to training funded by Fondimpresa.

European funding amounted to €9,137 thousand, an increase of €7 million compared with 2017, mainly reflecting the recognition in profit or loss of the 2014 and 2015 CEF projects funded at 50% and reported in July 2018, in the amount of €7 million. The item also includes the instalment of €1.2 million of the SESAR 2020 project in which the Group is participating, as well as other minor projects completed during the year.

Other revenues and income came to €7,017 thousand, an increase of €3 million compared with the previous year. The rise reflected the capital gain on the sale of the Academy complex in Forlì for a total of €755 thousand, which as a result of the settlement of outstanding disputes with a number of suppliers for investment contracts terminated in previous years made it possible to pay only the appropriate consideration, with the simultaneous cancellation of the debt carried on the books. In addition, the item also includes the recovery of costs for seconded personnel, both within the ENAV Group and with non-Group entities, the rebilling of costs incurred for service activities carried out by ENAV for the subsidiaries Techno Sky and D-Flight, the penalties levied on suppliers for delays in the delivery of goods and/or in the provision of services with respect to the contractually defined deadlines.

The following table provides a breakdown of revenues for 2018 and 2017 by geographical area:

Revenues	2018	% of revenues	2017	% of revenues
Italy	888,552	99.6%	879,739	99.1%
EU	994	0.1%	782	0.1%
Non-EU	2,998	0.3%	7,570	0.9%
Total revenues	**892,544**		**888,091**	

(thousands of euros)

25. Costs for goods, services, leases and rentals and other operating expenses

Costs for goods, services, leases and rentals and other operating expenses totalled €186,382 thousand, a net decrease of €7,972 thousand on the previous year, reflecting a general decline in the various cost items. The following table provides a breakdown for the year.

(thousands of euros)	2018	2017	Change	%
Costs for the purchase of goods	3,533	3,223	310	9.6%
Costs for services:				
Maintenance costs	79,503	79,731	(228)	-0.3%
Costs for Eurocontrol fees	37,563	37,683	(120)	-0.3%
Costs for utilities and telecommunications	31,446	37,248	(5,802)	-15.6%
Costs for insurance	2,579	2,256	323	14.3%
Cleaning and security	4,286	4,569	(283)	-6.2%
Other personnel-related costs	7,028	7,229	(201)	-2.8%
Professional services	6,036	7,593	(1,557)	-20.5%
Other costs for services	7,644	7,447	197	2.6%
Total costs for services	**176,085**	**183,756**	**(7,671)**	**-4.2%**
Costs for leases and rentals	2,123	2,767	(644)	-30.3%
Other operating expenses	4,641	4,608	33	0.7%
Total costs for services	**186,382**	**194,354**	**(7,972)**	**-4.1%**

Costs for the purchase of goods include costs incurred to purchase spare parts for plant and equipment used for air traffic control and the related change in inventories, as well as purchases of materials for the restructuring and modernisation of airports. The increase of €310 thousand over 2017 is mainly attributable to an increase in purchases spare parts for radar and radio-assistance systems.

Costs for services showed a net decrease of €7,671 thousand compared with the previous year and were associated with the following developments: i) a reduction of 15.6% in costs for utilities and telecommunications services, attributable to a decline in costs for the unified IP MPLS management network for the Group and for the data connections of the E-NET network, which benefitted from the reduction in costs due to the decommissioning of older circuits and a larger discount from the supplier; ii) a reduction of 6.2% in cleaning and security costs, due mainly to the termination of reception services contracts, effective from 1 September 2017, as those activities have now been insourced; iii) a reduction of 20.5% in costs for professional services and for costs incurred on foreign contracts; and (iv) an increase of 2.6% in costs for services due to the increase in costs for seconded personnel.

Costs for **leases and rentals** fell by €644 thousand compared with 2017, reflecting the termination of a number of leases with the consequent transfer of some employees to the new Rome Ciampino offices and some to a new building leased in May 2018 with smaller lease payments.

Other operating expenses amounted to €4,641 thousand, broadly unchanged on the previous year. The costs include the loss on receivables from the writeoff of positions considered no longer recoverable, the capital losses on the decommissioning of technological equipment than can no longer be used and the costs incurred under Law 81/08 for training courses and inspections carried out during the year.

26. Personnel costs

Personnel costs amounted to €421,176 thousand, a net increase of €5,210 thousand on the previous year, as shown in the following table:

(thousands of euros)	2018	2017	Change	%
Wages and salaries, of which:				
Fixed remuneration	242,542	242,449	93	0.0%
Variable remuneration	53,825	52,754	1,071	2.0%
Total wages and salaries	**296,367**	**295,203**	**1,164**	**0.4%**
Social security contributions	95,917	95,725	192	0.2%
Employee severance pay	19,254	18,775	479	2.6%
Other costs	9,638	6,263	3,375	53.9%
Total personnel costs	**421,176**	**415,966**	**5,210**	**1.3%**

Wages and salaries totalled €296,367 thousand, an increase of 0.4% compared with 2017, reflecting the following developments: i) no change in fixed remuneration of 0.3%, as the reduction of the workforce by 44 in effective terms and 28 on average, with a workforce at the end of 2018 of 3,320 (3,364 in 2017), offset both the higher cost associated with the normal increase in remuneration as a result of automatic contractual mechanisms; ii) a net increase of 2% in variable remuneration, mainly reflecting an increase in overtime for operational personnel due to the greater volume of air traffic handled during the year, a reduction in the figures for holiday entitlement as the use of holiday time increased thanks to more careful management of this phenomenon, as well as a reduction in costs for holidays falling on non-business days.

Other costs increased by €3,375 thousand, mainly due to an increase in early retirement incentive costs for employees and managers recognised in 2018 compared with the previous year, totalling €5.5 million (€1.7 million in 2017), which involved a total of 43 employees compared with 9 in 2017. This increase was partly offset by a reduction in costs for employee health insurance thanks to the savings achieved with the new contract that took effect as from 1 January 2018.

The following table provides a breakdown of Group’s workforce by category and professional position:

	2018	2017	Change
Executives	49	46	3
Middle managers	355	365	(10)
Office staff	2,916	2,953	(37)
Workforce at period end	**3,320**	**3,364**	**(44)**
Average workforce	**3,385**	**3,413**	**(28)**

	2,018	2,017	Change
Management and coordination	404	411	(7)
Air traffic controllers	1,716	1,731	(15)
Flight assistance experts	411	413	(2)
Meteorological services	30	30	0
Flight inspection	22	23	(1)
Administration	455	469	(14)
Technical	191	191	0
IT	91	96	(5)
Workforce	**3,320**	**3,364**	**(44)**

27. Capitalised costs

Capitalised costs amounted to €7,449 thousand (€7,590 thousand in 2017) and are entirely referred to the capitalization of personnel cost for the activities performed on investments projects under construction.

28. Financial income and expense

Financial income totalled €3,834 thousand, a decrease of 6.4% on the previous year. The following table provides a breakdown:

(thousands of euros)	2018	2017	Change	%
Income from investments in other entities	500	417	83	19.9%
Financial income from non-current assets	9	0	9	n.a.
Financial income from discounting of balances	1,037	2,531	(1,494)	-59.0%
Interest income on financial receivables from subsidiaries	75	72	3	4.2%
Other interest income	2,213	977	1,236	126.5%
Total financial income	**3,834**	**3,997**	**(255)**	**-6.4%**

The decline of €255 thousand in **financial income** in 2018 mainly reflected a reduction in financial income from the discounting of Balances, which in the previous year benefited from greater income from discounting of receivables for Balances of Charging Zone 3, positions that were closed in compliance with Article 51 of Decree Law 50/2017, which granted the Company €26 million to curtail rate increases for Charging Zone 3. That factor was partly offset by an increase in interest income recognised in 2018, mainly in connection with legal interest collected from the management company Valerio Catullo following the liens placed to recover receivables following the favourable ruling of the Court of Appeal.

Financial expense amounted to €7,161 thousand, an increase of €884 thousand compared with the previous year, reflecting higher interest expense on bank loans connected with the use of the second tranche of the EIB loan at the end of 2017, the discounting of receivables recognised during the year for NOP funded projects, collection of which is expected to occur after the following year, and collection of part of the receivable for the sale of the Academy complex.

The following table provides a breakdown of financial expense:

(thousands of euros)	2018	2017	Change	%
Interest expense on bank loans	2,614	2,088	526	25.2%
Interest expense on bonds	3,474	3,474	0	0.0%
Interest expense on employee benefits	524	553	(29)	-5.2%
Financial expense on derivatives	76	138	(62)	-44.9%
Financial expense on discounting of receivables	369	0	369	n.a.
Other interest expense	104	24	80	333.3%
Total financial expense	**7,161**	**6,277**	**884**	**14.1%**

29. Income taxes

Income taxes totalled €41,883 thousand, an increase of €2,623 thousand attributable to the increase in taxable income. IRES decreased by 19.4% reduction in reflection of the exemption from tax for the risk provisions used during the year whose effect is recognised in deferred tax assets. The following table provides a breakdown of taxes for the year:

(thousands of euros)	**2018**	**2017**	**Change**	**%**
IRES (corporate income tax)	26,767	33,193	(6,426)	-19.4%
IRAP (regional business tax)	7,147	6,854	293	4.3%
Taxes from previous fiscal years	(30)	6	(36)	n.a
Total current taxes	**33,884**	**40,053**	**(6,169)**	**-15.4%**
Deferred tax assets	8,813	(562)	9,375	n.a.
Deferred tax liabilities	(814)	(231)	(583)	252.4%
Total current tax and deferred tax assets and liabilities	**41,883**	**39,260**	**2,623**	**6.7%**

For more details on the recognition of deferred tax assets and liabilities, please see Note 8.

The IRES tax rate for 2018 was 18.5%, down from the 24.8% in 2017, reflecting the use of provisions taxed in previous years. This more than offset the increase in income before tax.

The IRAP tax rate for 2018 was 4.9%, broadly in line with the 5.1% in 2017.

(thousands of euros)	**2018**		**2017**	
	IRES	**%**	**IRES**	**%**
Income before taxes	144,818		133,765	
Theoretical tax	34,756	24.0%	32,104	24.0%
Effect of increases/(decreases) compared with ordinary taxation				
Non-deductible prior-period costs	42	0.0%	126	0.1%
IRES deduction of IRAP paid on personnel costs	(178)	-0.1%	(138)	-0.1%
Other	62	0.0%	(119)	-0.1%
Temporary differences for taxed provisions	(7,915)	-5.5%	1,221	0.9%
Actual IRES	**26,767**	**18.5%**	**33,193**	**24.8%**

(thousands of euros)	**2018**		**2017**	
	IRAP	**%**	**IRAP**	**%**
Income before taxes	144,818		133,765	
Theoretical tax	6,922	4.78%	6,394	4.78%
Effect of increases/(decreases) compared with ordinary taxation				
Other	516	0.4%	(124)	-0.1%
Temporary differences for taxed provisions	(441)	-0.3%	454	7.1%
Financial income and expense	150	0.1%	130	0.1%
Actual IRAP	**7,147**	**4.9%**	**6,854**	**5.1%**

Other information

30. Related parties

ENAV related parties were identified in accordance with the provisions of IAS 24 Related-party disclosures and are involved in transactions carried out in the interest of the Company, are part of ordinary operations and are settled on market terms and conditions unless otherwise indicated. On 12 December 2018, the Board of Directors of the Company, having obtained a favourable opinion of the Control, Risks and Related Parties Committee, approved the "Procedure governing related-party transactions" carried out by the Company directly and/or through 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" approved with Consob Resolution no. 17221 of 12 March 2010 as amended.

The procedure, which is available on the website www.enav.it, sets out the criteria for identifying related parties, for distinguishing transactions of greater and lesser importance, for the procedural framework applicable to such transactions, as well as any mandatory notifications to be submitted to the competent bodies.

The following below report the balances of the income statement and statement of financial position resulting from ENAV's transactions with related entities, including those with directors, statutory auditors and key management personnel for 2018 and 2017, respectively.

	Balance at 31.12.2018									
	Trade receivables and other current and non-current assets	Financial receivables	Cash and cash equivalents	Financial liabilities	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for leases and rentals	Financial expense	Financial income
Direct subsidiaries										
Techno Sky S.r.l.	22,486	0	0	0	56,385	1,573	66,763	0	0	0
Consorzio Sicta in liquidazione	1	0	0	0	0	0	0	0	0	0
Enav Asia Pacific Sdn Bhd	85	0	0	0	0	340	0	0	0	0
Enav North Atlantic LLC	0	3,205	0	0	0	0	0	0	0	75
D- Flight S.p.A.	18	0	0	0	0	18	0	0	0	0
External related parties										
Ministry for the Economy and Finance	13,076	0	558	0	65,100	13,074	0	0	0	0
Ministry of Infrastructure and Transport	87,259	0	0	0	0	35,399	0	0	0	0
Enel Group	0	0	0	0	58	0	1,385	0	0	0
Leonardo Group	223	0	0	0	15,000	255	1,198	0	0	0
Poste Italiane Group	0	0	0	0	11	0	84	65	0	0
Other external related parties	0	0	0	0	67	56	128	3	0	0
Balance in financial statements	**368,964**	**28,106**	**308,206**	**14,924**	**303,521**	**973,232**	**184,258**	**2,123**	**7,162**	**3,834**
Related parties as % of balance in financial statements	33.4%	11.4%	0.2%	0.0%	45.0%	5.2%	37.8%	3.2%	0.0%	2.0%

(thousands of euros)

	Balance at 31.12.2017									
	Trade receivables and other current and non-current assets	**Financial receivables**	**Cash and cash equivalents**	**Financial liabilities**	**Trade payables and other current liabilities**	**Revenues and other operating revenues**	**Cost of goods and services and other operating costs**	**Costs for leases and rentals**	**Financial expense**	**Financial income**
Direct subsidiaries										
Techno Sky S.r.l.	17,929	0	0	0	43,951	1,031	65,402	0	0	0
Consorzio Sicta	380	0	0	0	1,201	115	1,893	0	0	0
Enav Asia Pacific Sdn Bhd	84	0	0	0	0	328	0	0	0	0
Enav North Atlantic	0	2,986	0	0	0	0	0	0	0	72
External related parties										
Ministry for the Economy and Finance	13,932	0	558	0	59,882	13,929	0	0	0	0
Ministry of Infrastructure and Transport	33,397	0	0	0	0	37,390	0	0	0	0
Enel Group	0	0	0	0	122	0	1,286	0	0	0
Invitalia Group	0	0	0	1,664	0	0	0	0	71	0
Leonardo Group	127	0	0	0	19,868	86	1,325	0	0	0
Poste Italiane Group	0	0	0	0	3	0	60	66	0	0
Other external related parties	0	0	0	0	39	101	85	23	0	0
Balance in financial statements	**310,811**	**2,986**	**257,550**	**30,462**	**295,949**	**905,314**	**191,587**	**2,767**	**6,277**	**3,997**
Related parties as % of balance in financial statements	21.2%	100.0%	0.2%	5.5%	42.3%	5.9%	36.6%	3.2%	1.1%	1.8%

(thousands of euros)

The nature of the main transactions with internal related entities, namely the subsidiaries of ENAV, and external related entities, namely the Ministry for the Economy and Finance (MEF) and the Ministry of Infrastructure and Transport (MIT) as well as entities subject to the control of the MEF is discussed below and detailed in the comments on the individual items of the financial statements in the notes to the financial statements:

- transactions with the subsidiary Techno Sky essentially involve the provision by the latter of services connected with the maintenance of flight assistance equipment, the maintenance of AVL equipment, as well as all maintenance activities connected with civil infrastructure not related to operational functions. In the figure revenues are recognized the charging of costs for services provided centrally by ENAV (Internal Audit, IT and Digital Transformation, Business Development and certain activities provided within the Integrated structure Compliance and Risk Management);
- transactions with the Sicta Consortium in liquidation mainly concern the activities carried out for ENAV up to the third quarter of 2017;
- transactions with D-Flight concern the services provided centrally by ENAV. A three-year intercompany service contract was signed during the year to govern the charging of costs for services provided by ENAV through Finance and Procurement, Legal, Corporate Affairs and Governance, HR and Corporate Services and Internal Audit.
- transactions with the subsidiary ENAV Asia Pacific mainly concern the pass-through of costs for seconded personnel;
- transactions with ENAV North Atlantic refer to the loan granted in 2017 to allow the subsidiary to meet the deadlines associated with the investment in Aireon LLC. This loan, amounting to $3.5 million, falls due 31 December 2021 and bears an interest rate of 2%. Partial or full early repayment is
- transactions with the MEF mainly involve receivables and revenue streams connected with the refund of charges for services provided by the Company for exempt flights and charged to the MEF in

accordance with European and Italian law, and payables for the amounts collected by the Company relating to the portion attributable to the Italian Air Force for en-route charges. Following approval of the ENAV financial statements, this payable is used to offset the receivable position. Cash and cash equivalents regard a bank account opened by the Company with the Bank of Italy;

- transactions with the MIT regard receivable and revenue relationships associated with both an operating grant intended to cover the costs incurred by the Company to ensure the safety of systems and operations pursuant to Article 11-*septies* of Law 248/05, and capital grants as part of the Networks and Mobility NOP and, since 2018, on the basis of agreements with the MIT registered with the Court of Auditors. Those grants are charged to profit or loss in an amount commensurate with the amortisation of the investments to which they refer;
- transactions with the Leonardo Group mainly regard activities connected with ENAV investments, maintenance and the acquisition of spare parts for systems and equipment for air traffic control;
- transactions with Invitalia Group, which were eliminated during 2018, mainly regarded the loan agreement between the Company and Banca del Mezzogiorno – Medio Credito Centrale S.p.A. for €10 million. The loan fell due on 31 May 2018 and was repaid in full;
- transactions with the Enel Group regard agreements for the supply of electricity for a number of sites activated beginning in the fourth quarter of 2018 following the termination of a previous agreement with another supplier;
- transactions with Poste Group regard the rental of equipment for hospitality purposes and shipping costs;
- transactions with other related parties contain residual positions.

Key management personnel comprise the ENAV CEO and four executives holding senior positions in the Company, appointed by the Board of Directors acting on a recommendation of the CEO following a meeting in September 2018, namely the Chief Financial Officer, the Chief HR and Corporate Services Officer, the Chief Operating Officer and the Chief Technology Officer. The financial statements at 31 December 2017 reported the remuneration of the CEO, the General Manager, the Head of Administration, Finance and Control and the Head of Human Resources. The change in the key managers identified as related parties during the year reflects the new organisational macrostructure of the Company approved by the Board on 27 July 2018, with a consequent modification of the names of units and organisational roles and the new functions of the Head of Human Resources, who is now the Chief HR and Corporate Services Officer. The changes that impacted key management personnel during 2018 were the termination of the employment relationship of the General Manager and the Head of Human Resources and two new appointments of key managers, namely the Chief Operating Officer and the Chief Technology Officer.

The remuneration of the Enav's key management personnel, gross of pension and social security costs and contributions, is reported in the following table:

(thousands of euros)	2018	2017
Short/medium term remuneration	2,245	1,406
Other long-term benefits	0	0
Share-based payments	410	214
Total	**2,655**	**1,620**

The remuneration of the ENAV's Board of Auditors is also given below:

(thousands of euros)	2018	2017
Board of Auditors	90	81
Total	**90**	**81**

For more details, please see the Remuneration Report prepared pursuant to Article 123 ter of the Consolidate Law.

In application of the national collective bargaining agreement, ENAV participates in the Prevaer Fund, which is the national supplementary pension fund for non-executive personnel working in the air transport and similar sectors. As provided for in Article 14 of the articles of association of the Prevaer Fund, whose corporate bodies are the delegated shareholders' meeting, the board of directors, the chairman and the vice chairman and the board of auditors, shareholder representation is based on the equal participation of workers' representatives and representatives of the participating businesses. The Fund's board of directors resolves, among other things, on the general criteria for risk sharing in investments as well as on investment policies, the selection of asset managers and the designation of the custodian bank.

31. Disclosures on the long-term incentive plan

On 28 April 2017, the ENAV S.p.A. Shareholders' Meeting approved the "*Long-term share-based incentive plan for the management of ENAV and subsidiaries*" and on 11 December 2017 the Rules the Plan, which governs the operation of the Plan, were approved, marking the start of the Plan's first cycle. The start of the second cycle for 2018-2020 was approved by the Board of Directors on 13 November 2018. The beneficiaries of the Plan are the CEO and a number of mangers selected from among those who hold positions with the greatest impact on the performance of the company or have strategic importance for the achievement of the Group's long-term objectives.

The Plan is structured into three cycles, each lasting three years, and provides for the free grant to the beneficiaries of rights to receive a variable number of ENAV S.p.A. ordinary shares subject to achieving specific performance targets for 2017-2019 (first cycle), 2018-2020 (second cycle) and 2019-2021 (third cycle). The target aggregates are cumulative EBIT, in total shareholder return (TSR) and cumulative free cash flow, because they represent the objective criteria for measuring the creation of value for the Group in the long-term.

The Plan envisages a three-year vesting period for all beneficiaries between the time of the grant and the vesting of the entitlement of the beneficiaries to receive the shares. Therefore, if the performance targets are achieved and the other conditions established by the Rules are satisfied, the shares vested in each cycle will be awarded and delivered to the beneficiaries no later than the 60th calendar day after the approval by the ENAV Shareholders' Meeting of the financial statements for the last year of the three-year vesting period.

The incentive plan also includes a lock-up period for a portion of any shares delivered to the beneficiaries, i.e. the CEO, key management personnel and the other managers identified.

The performance targets are composed of the following indicators:

- a market-based component (with a 40% weighting on assigned rights) related to ENAV's performance in terms of TSR compared with the peer group already identified by the Company;
- a non-market-based component (with a 60% weighting on assigned rights) related to the achievement of the cumulative free cash flow or EBIT targets.

With regard to the market-based component, the calculation method used is the Monte Carlo method, which, on the basis of appropriate assumptions, made it possible to define a large number of alternative scenarios over the time horizon considered. By contrast, the non-market-based component is not significant for the purpose of estimating the fair value at the time of the grant, but it must be updated at every reporting date to take account of the expectations for the number of rights that may vest based on the performance of EBIT and free cash flow compared with the Plan targets.

First cycle 2017-2019

To assess the first cycle of the Plan, it was assumed that the target was achieved, which resulted in 330,088 shares with an overall fair value of €1.4 million. The first cycle envisaged an initial 19 beneficiaries, of whom two have terminated their employment relationship during the year and participate on a pro-rated basis in the plan in accordance with the provisions of the implementing rules. The cost recognised for 2018 was €0.5 million, while the liability, recorded in a specific equity reserve, amounted to €0.9 million.

Second cycle 2018-2020

The target was also assumed to have been reached for the second cycle of the plan, with 242,434 shares and a total fair value of €0.9 million. The second cycle envisaged 10 beneficiaries and the cost recognised for 2018 was equal to €0.3 million, equivalent to the liability recognised in the specific equity reserve.

32. Derivatives

In 2016 ENAV obtained a derivative contract in order to hedge the exposure to an unfavourable impact of changes in the euro/AED exchange rate relating on future receipts in foreign currency from a two-year contract with the Abu Dhabi General Civil Aviation Authority (GCAA). The transaction specifically involves an OTC derivative financial instrument through which the Company forward sells a given amount of foreign currency against the euro at a pre-determined exchange rate, starting from a certain date and until the expiry date.

The fair value of the derivative was a positive €6 thousand at 31 December 2018. In accordance with IFRS 13, the mark-to-market value was adjusted to also take account of the effect of non–performance risk (CVA), i.e., the risk that one of the parties will not meet its contractual commitments as the result of a possible default. From an accounting perspective, the positive or negative fair value was recognised in current/non-current financial assets/liabilities based on the contractual maturity, with a matching entry in an 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). More specifically, from the financial perspective, the Credit Valuation Adjustment (CVA) is the expected value of the loss deriving from the default of the counterparty, if the derivative has a positive fair value. Conversely, a Debit Valuation Adjustment (DVA) represents the value of the expected loss on the default of the Company if the fair value is negative.

The contractual characteristics and the relative fair value at 31 December 2018, as indicated in bank communications, are listed below:

Counterparty	Transaction type	Date of contract	Inception date	Expiration date	Notional (thousands of AED)	Forward exchange rate	Forward value (thousands of euros)	MtM Bank (thousands of euros)
UNICREDIT	Sell AED (Flex)	22/11/2016	24/11/2016	27/06/2019	(2,727)	4.2300	(645)	7
Total							**(645)**	**7**

The fair value at the end of 2018 is reported in the following table, adjusted to take account of the Credit Valuation Adjustment:

Counterparty	Transaction type	Notional (thousands of AED)	Forward value (thousands of euros)	MtM	Credit Value Adjustment (CVA)	MtM CVA (thousands of euros)
UNICREDIT	Sell AED (Flex)	(2,727)	(645)	6	(0)	6
Total			**(645)**	**6**	**(0)**	**6**

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. Although quotes 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 measurements could be based.

Due to the substantive features of the derivative, it is classified as a hedging instrument. The information required under the IFRS on the instrument is given below:

Maturity Analysis

Expiry	UNICREDIT exchange rate derivative (euro/000)
Up to 1 month	0
Between 1 and 3 months	0
Between 3 and 6 months	6
Between 6 and 12 months	0
Between 1 and 2 years	0
Between 2 and 3 years	0
Between 3 and 5 years	0
Between 5 and 10 years	0
More than 10 years	0
Total	**6**

Sensitivity Analysis

Transaction type	Fair value (euro/000)	Sensitivity Analysis	
		Delta equity Eur/FX +5% (euro/000)	Delta equity Eur/FX -5% (euro/000)
Forward sale (Unicredit)	6	(31)	34

33. Assets and liabilities by maturity

(thousands of euros)	Within the next financial year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0	28,106	0	28,106
Deferred tax assets	0	9,074	0	9,074
Non-current tax receivables	0	23,164	0	23,164
Non-current trade receivables	0	18,448	0	18,448
Other non-current receivables	0	22,110	0	22,110
Total	**0**	**100,902**	**0**	**100,902**
Financial liabilities	14,924	234,918	102,335	352,177
Deferred tax liabilities	0	2,673	0	2,673
Other non-current liabilities	0	26,374	146,112	172,486
Non-current trade payables	0	34,842	0	34,842
Total	**14,924**	**298,807**	**248,447**	**562,178**

Financial liabilities falling due after the 5th year refer to the bank loans and the bond. For more information, please see Note 35.

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

34. Guarantees and commitments

Guarantees regard sureties granted to third parties in the amount of €3,749 thousand (€2,803 thousand at 31 December 2017), an increase of €946 thousand attributable to sureties mainly issued in favour of the Libyan Civil Aviation Authority in the interest of the subsidiary Techno Sky for the contract to build the control tower of Mitiga International Airport.

35. Transparency in the system of government grants

Article 1, paragraphs 125 to 129, of Law 124/2017, the Annual Market and Competition Act, introduced a number of measures to ensure transparency in the system of government grants. These provisions were subsequently supplemented by Decree Law 113/2018 (the "Security Decree") and the Decree Law 135/2018 (the "Simplification Act"). Among the parties required to comply with these publicity and transparency obligations are companies that maintain economic relationships with government entities even if they are listed on regulated markets. In order to settle certain interpretation issues, also following the issue of a circular of the Ministry of Labour and Social Policies, on 22 February 2019 Assonime issued circular no. 5 "Transparency in the system of government grants: analysis of the regulations and interpretative guidelines".

The following table provides information on the government grants received in 2018 by ENAV:

Grantor	Date of receipt	Amount	Description
Ministry of Infrastructure and Transport	27/11/2018	30,000	Operating grant to offset costs incurred by Parent Company to ensure safety of its plant and operating safety pursuant to Article 11-septies of Law 248/05
	N/A	0	Infrastructure and Networks NOP 2014-2020 / CAP 2007-2013
Total Ministry of Infrastructure and Transport		**30,000**	
Ministry of Education, Universities and Research		0	RPASInAir - Integration of Remotely Piloted Aeronautical Systems in unsegregated airspace
Total Ministry of Education, Universities and Research		**0**	
Total		**30,000**	

(thousands of euros)

36. Management of financial risks

In conducting its business, ENAV is exposed to various financial risks such as market risks (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The management of these risks is based on the presence of specific internal committees, composed of the Company's top management, which are entrusted with providing strategic guidance and overseeing risk management and the policies that define the roles and responsibilities for the management processes, the structure of limits, the model of relationships and hedging and mitigation instruments.

Credit risk

ENAV is exposed to credit risk, which is the risk that one or more commercial counterparties may become unable to honour all or part of their payment obligations. This risk mainly appears in respect of current trade receivables relating to operating activities, and particularly in connection with en-route services and terminal services, which represent the biggest exposure in the financial statements. These amounts mainly refer to receivables accrued in respect of carriers in relation to charges, for which Eurocontrol is the management and collection agent. In this context, leaving aside the intermediary role performed by Eurocontrol, which means that the receivables are formally presented in the financial statements and billed to this entity, measurement of the effective credit risk to which ENAV is exposed is based on the counterparty risk in respect of each individual carrier for which the underlying receivables originally accrued. This is because Eurocontrol does not assume any credit risk with regard to the possible insolvency of carriers and it only settles its liabilities with the Company after it has collected the respective sums from the carriers. Eurocontrol will, however, take action to recover the receivables, initiating legal proceedings where necessary.

A specific provision for doubtful accounts is recorded in the financial statements against the risk of default by the ENAV's debtors in accordance with IFRS 9.

Liquidity risk

Liquidity risk is the risk that the ENAV, despite being solvent, might be unable to promptly meet the commitments associated with its financial liabilities, whether expected or unexpected, due to difficulties in obtaining financial resources, or that it will be able to do so only on unfavourable financial terms due to factors related to the perception of its risk by the market or during systemic crises such as, but not limited to, credit crunches and sovereign debt crises, or because it fails to comply with the covenants envisaged in certain loan agreements and the bond issue.

At 31 December 2018, ENAV had €308.2 million in available cash and €204 million in short-term credit lines, including i) committed and uncommitted lines of credit of €134 million; ii) unused long-term credit lines of €70 million under a contract with the European Investment Bank (EIB). Uncommitted credit lines include €14 million in current account overdrafts, €95 million in financial advances which can be drawn on without any constraints regarding their use, €15 million for export finance and €10 million for import finance. These lines of credit are subject to revocation and do not require compliance with either covenants or other contractual commitments. The Company's committed line of credit amounts to €70 million (undrawn at 31 December 2018) with a three-year term (2017-2019). It does envisage compliance with covenants, including: i) a ratio of net financial debt to EBITDA of not more than 3; and ii) a ratio of net financial debt to shareholders' equity of not more than 0.7. ENAV also has an unused long-term line of credit of €70 million granted by the EIB.

In the longer term, liquidity risk is mitigated by a debt management strategy that diversifies the sources of financing in terms of both types of credit facilities and counterparties, with a view to meeting the Group's financial requirements and establishing a balanced debt maturity profile.

In compliance with the general guidelines established by the corporate bodies and the policy approved by the Board of Directors, the Finance and Procurement unit defines the short- and medium/long-term financial structure and the management of the cash flows. The unit made decisions mainly aimed at: i) guaranteeing that adequate financial resources were available for planned short-term operating commitments, systematically monitored through cash planning activities; ii) maintaining a sufficient prudential liquidity buffer to deal with any unexpected commitments; iii) guaranteeing a minimum liquidity reserve level to ensure the coverage in full of medium-/long-term debt falling due over a time horizon of 24 months, even in the event of restrictions on access to credit; iv) ensuring an adequate level of flexibility for the ENAV's medium/long-term development projects, relating to investment contracts for the technology and infrastructure modernisation of flight assistance systems.

ENAV's gross financial exposure at 31 December 2018 stood at €350.7 million and is represented by bank debt for medium/long-terms loans of €170.7 million and the exposure to holders of the bond issued on 4 August 2015 maturing on 4 August 2022, with a principal amount of €180 million.

The following table reports the due dates of the medium/long-term bank loans and the bond stated at the nominal value, excluding the effect of amortised cost measurement.

Lender	**Type**	**Outstanding debt at 31.12.2018**	**<1 year**	**from 1 to 2 years**	**from 3 to 5 years**	**> 5 years**
EIB - European Investment Bank	15-year loan	96,003	8,084	8,207	25,377	54,335
EIB - European Investment Bank	15-year loan	74,667	5,333	5,334	16,000	48,000
Bond		180,000	0	0	0	180,000
Total		**350,670**	**13,417**	**13,541**	**41,377**	**282,335**

(in thousands of euros)

The above loan agreements include general commitments and covenants for the Company, some of which have negative provisions, which, although in line with market practices for loan agreements for similar amounts and types, could restrict operations. Specifically, these agreements envisage certain early repayment scenarios if certain events of default occur where the Company could be obliged to repay the loans immediately in full.

Specifically, note the following:

- the loan agreements between the Company and the European Investment Bank (EIB) for €180 million in 2014 and €70 million in 2016, which were entered into in order to fund investment projects associated with 4-Flight and other projects, in respect of which, at 31 December 2018, the Company had used two tranches of the total loan equal to €180 million, with a repayment plan providing for the payment of equal semi-annual instalments from December 2018 until December 2029, with a fixed interest rate of 1.515%, for the tranche of €100 million, and from June 2018 to December 2032 with a fixed interest rate of 1.01% for the second tranche of €80 million, which include:

- a negative pledge clause, i.e. a commitment by ENAV not to establish or allow the establishment of encumbrances on any of its assets, where encumbrances refer to any agreement or transaction relating to goods, receivables or cash used as an instrument to obtain credit or fund the acquisition of an asset;
- a cross-default clause, which gives the EIB the right to demand early repayment of the loan if ENAV or any other Group company does not comply with the obligations under any loan or other financial transaction other than this loan agreement;
- a change of control clause, which gives the EIB the right to demand early repayment of the loan if any party or group of parties acting in concert obtains control or ENAV, or if the Italian Republic no longer retains control of the issuer.

- The loans also require compliance with several financial covenants, verified on an annual or half-yearly basis and calculated using the Group's consolidated data: i) a ratio of gross financial debt to EBITDA of less than 3; ii) a ratio of EBITDA to financial expense of at least 6;

❖ the terms and conditions of the bond issued by the ENAV in August 2015 in the amount of €180 million, paying interest at an annual gross fixed rate of 1.93% with bullet repayment of principal on 4 August 2022, include:

- a negative pledge clause, namely a commitment by the Company not to establish or provide guarantees or privileges on the debt to third-parties additional to those securing the bonds issued unless authorised by the bondholders' meeting;
- a cross-default clause, which gives bondholders the right to demand early repayment of the bonds if ENAV or its subsidiaries do not comply promptly with the payment obligations of financial payables other than the bond in an amount of more than €15 million;
- a change of control clause, which gives bondholders the right to demand early repayment of the bonds if a party other than the Italian Republic, its ministries (including the Ministry for the Economy and Finance) or entities or companies directly or indirectly controlled by it or its ministries, obtains control of the issuer.

The terms and conditions of the bond also require compliance with financial covenants, such as: a) a ratio of net financial debt to EBITDA of no more than 3; b) a ratio of net financial debt to shareholders' equity of no more than 0.7.

In previous years, the Company has always complied with the covenants set out in each loan. At 31 December 2018, it is felt that the covenants in the existing loan agreements have been complied with.

Interest rate risk

Fluctuations in interest rates affect the market value of ENAV's financial assets and liabilities and the level of net financial expense. The occurrence of such variations could have an adverse impact on the performance and financial position of the Company.

During 2018 ENAV extinguished its remaining floating-rate loans. At 31 December 2018 gross financial debt is therefore entirely at fixed rates and, as a result, increases in interest rates would not have a negative impact on the level of net financial expense reported in the income statement or on the value of future cash flows. In order to limit the potential adverse effects of interest rate fluctuations, ENAV implements policies designed to contain the cost of funding over time, limiting the volatility of its results. ENAV pursues this goal by systematically negotiating with leading banks in order to optimise the average cost of debt, as well as through the strategic diversification of financial liabilities by type of contract, maturity and interest rate conditions (variable-rate/fixed-rate). In 2018, the average cost of bank debt was around 1.66%, essentially in line with the previous year.

At present, ENAV does not hold financial instruments valued at fair value and as such exposed to adverse changes as a result of changes in the market level of interest rates.

At 31 December 2018, ENAV's securities portfolio is managed on the basis of the "held to collect" business model. These financial assets, consisting of Italian government bonds (BTPs), generate contractual cash flows that involve solely the repayment of principal and interest and have been measured at amortised cost. ENAV does not currently hold financial derivatives to manage interest rate risk.

Foreign exchange risk

ENAV's exposure to the risk of unfavourable changes in the current level of exchange rates due to its transactions in other currencies could have an adverse impact on its financial performance and the value of balance sheet items denominated in foreign currency. Although ENAV operates primarily in the Italian market, it does have an exposure to foreign exchange risk deriving mainly from cash flows from investments denominated in foreign currency, mainly the US dollar, as well as from the purchase of the equity interest of 11.1% in the share capital of US company Aireon and, to a lesser extent, from contracts to provide non-regulated services denominated in foreign currency (mainly in Malaysian ringgit and United Arab Emirates dirham). In order to manage the exposure to foreign exchange risk, ENAV has developed a policy whose guidelines provide for the use of different types of instruments, specifically swaps and forwards, as well as currency options. Speculative transactions are not permitted by this policy. Specifically, at the end of 2016, a hedge agreement for a foreign contract with the General Civil Aviation Authority of the United Arab Emirates was entered into in the form of a flexible forward with a notional amount corresponding to the value of the contract (around AED 19.6 million) and a forward exchange for the sale of currency (EUR/AED) of 4.23, as renegotiated in the second half of the year following an extension of the expiry.

The fair value of foreign exchange derivatives is measured on the basis standard market algorithms and on market quotes/contributions provided by leading public information providers. Note, however, that the risk resulting from the conversion of the assets and liabilities of ENAV subsidiaries that prepare their financial statements in functional currencies other than the euro is not usually hedged, unless a specific different assessment has been performed.

Litigation risk

Litigation regarding taxation, administrative, civil or labour matters is handled by the competent functions of ENAV. For the purpose of preparing these financial statements, they have provided a comprehensive picture of the various civil, administrative and labour proceedings. ENAV has performed a detailed assessment of the risk of unfavourable rulings in that litigation, which determined the need to prudentially set aside specific provisions for disputes whose adverse outcome has been deemed probable and where the amount could be reasonably quantified. Pursuant to the regulations governing the preparation of financial statements, no specific provisions have been recognised for proceedings for which an unfavourable outcome was considered merely possible.

Currently, we do not believe that the pending litigation could result in significant charges for ENAV in excess of the amounts already provisioned for this purpose at 31 December 2018.

Civil and administrative litigation

The civil and administrative litigation includes: i) proceedings against suppliers and carriers that are insolvent, in bankruptcy or undergoing other insolvency proceedings, initiated in connection with the recovery of receivables that could not be settled out of court. A number of have been written down; ii) litigation involving defence against suits brought by suppliers or contractors that the ENAV considered to be groundless, or to recover of higher costs and/or losses that the ENAV incurred due to non-compliance of suppliers/contractors; iii) litigation involving claims on assets belonging to the Company, claims for damages for the loss of assets transferred to the Company, or claims for payment or improvements to assets; iv) litigation relating to claims for losses caused by aeronautical accidents, for which the risk of an adverse outcome is normally borne by the insurers' of ENAV; v) proceedings challenging the procedures and outcomes of public tenders; vi) other circumstances such as a dispute involving claims for damages due to failure to acquire a unit belonging to another company and vii) a dispute closed in the early months of 2018 before the Supreme Court of Appeals (*Suprema Corte di Cassazione*) concerning a claim for damages for causing reputation harm and loss of opportunity to contest a shareholders' resolution to terminate the interim Board of Directors.

Criminal proceedings

The criminal proceedings against a former CEO for offences envisaged under Articles 319 and 321 of the Italian Criminal Code and complicity in the offence pursuant to Article 7, paragraphs 2 and 3, of Law 194/1975 and Article 4, paragraph 1, of Law 659/1981 and a former Company manager for alleged offences envisaged under Article 319 and 321 of the Criminal Code were ruled concluded due to expiry of the statute of limitations.

The defendants appealed that ruling and a hearing on the appeal has yet to be scheduled.

The criminal proceedings against the former Chairman of the ENAV Board of Directors, two former managers of ENAV and the top management of another company, as well as a former supplier of the subsidiary Techno Sky for alleged offences as envisaged under Articles 81, 319 and 321 of the Criminal Code concluded with the ruling of not being able to proceed due to the statute of limitations. ENAV is a civil plaintiff in the proceedings against the consultant of a former Minister for the Economy for the offences pursuant to Articles 110, 319 and 321 of the Criminal Code. The proceedings concluded with the conviction of the defendant. The defendant has appealed the ruling and a hearing has been scheduled before the Court of Appeal for December 2019.

There have been no developments in the criminal proceedings pending in the preliminary investigation phase of the criminal case against, among others, the top manager of a former building design company, the former Chief Executive Officer and director of ENAV and the top manager of an ENAV supplier's sub-contractor regarding the criminal offences envisaged under Article 110 of the Criminal Code, Article 7, paragraphs 2 and 3, of Law 195/1974 and Article 4, paragraph 1, of Law 659/1981 and the criminal offence envisaged under Article 8 of Law 74/2000 with specific regard to the subcontracts relating to the contract for the modernisation of the Palermo Airport.

The criminal proceeding established following the lawsuit brought by the Company with regard to the illegal removal of goods and materials belonging to ENAV which were stored at a third-party warehouse has been settled on appeal. In this proceeding the Company was a civil plaintiff against the director of the warehousing company for the criminal offence envisaged under Article 646 of the Criminal Code and, with a ruling handed down on 16 February 2015, the Court found the defendant guilty of, among other things, the offence pursuant to Article 646 and sentenced him for that and other offences he was accused of, to 6 years and 6 months of prison and a fine of €3,000. The Court also issued an immediately provisional executive order for €1 million to be paid to the Company, referring the settlement of the losses incurred by Company to another forum. A ruling of nonsuit was handed down for only one of the charges, due to remission and acceptance thereof. Finally, with regard to the remaining charges, the defendant was acquitted as it was adjudged there was no case to answer. The subsequent appeal was ruled with the defendant being found guilty and the ruling in trial court in favour of the civil parties was upheld. An additional proceeding, in continuation of the investigations initiated by the Rome Public Prosecutor's Office is currently pending and aimed at ascertaining the individuals who were the final recipients of the merchandise stored in the aforementioned third-party warehouse in regard to the removal of which, as noted above, ENAV had initiated the claim. In these pending proceedings for multiple property offences and criminal association against the various defendants, including the director of the warehousing company, the Company was a civil plaintiff at the preliminary hearing and, upon conclusion, all the defendants were committed to stand trial.

In the criminal proceedings initiated by the Sassari Public Prosecutor, a preliminary hearing has been scheduled for May 2019 on the charges against, among others, the General Manager of ENAV for the offences envisaged under Article 589 of the Criminal Code, Articles 90, 93 and 157 of Legislative Decree 81/08, in relation to an accident that happened during extraordinary maintenance that resulted in the death of the director of the contracting company. The charges against the Chief Executive Officer were dismissed by the investigating magistrate. Another charge was brought under Article 25-*septies* of Legislative Decree 231/01 on the liability of companies was also brought (although ENAV was never formally notified), but this too was dismissed.

The proceeding initiated by the competent Public Prosecutor's Office against third parties, following the criminal complaint filed by ENAV for the offenses of illegal access to IT services, where the Company was a civil plaintiff, was concluded with the conviction of the defendants on all counts, in addition to the grant of a provisional award for damages to ENAV. The defendants subsequently appealed the ruling.

As regards the precautionary measures taken in the light of judicial events initiated in 2010-2011 in relation to the terminated contract signed between ENAV and the then Selex Sistemi Integrati (now Leonardo SpA) on 26 June 2009 for the modernisation of the Palermo Airport, and in particular the private agreement signed on 24 December 2012, the Company - after review by the Control, Risks and Related Parties Committee in accordance with the applicable procedure – reached an settlement of the matter in a manner fully protecting ENAV's interests.

Following an order of discovery notified in 2016, ENAV became aware of a subcontract between the supplier CPC, custodian of the civil works being performed by temporary grouping of companies for the modernisation of Parma Airport, granted in 2005 and terminated in 2013, and a construction company allegedly executing the aforementioned works. The Company's internal enquiry found that the subcontract was void and the findings were notified to Public Prosecutor's Office. There have been no further developments in the matter. In this regard, following all appropriate enquiries into the legal aspects, following prior review by the Control, Risks and Related Parties Committee in accordance with the applicable procedure, the Company reached an settlement of the disputes with Leonardo and Thales, the members of the temporary grouping of companies contracted to supply goods and materials, in a manner fully protecting ENAV's interests companies, with the sole payment of consideration considered in line with the value of the goods and materials.

Following a court order of discovery notified on 24 November 2016, the Company produced documentation concerning certain contracts involving the subsidiary ENAV North Atlantic. On the basis of available information, the investigation is pending before the Rome Public Prosecutor's Office, and the Company is not at present aware of any person under investigation or any official charge having been filed.

In response to an order of discovery, on 13 June 2018 ENAV produced documentation relating to the selection of a person related to the former Sole Director of the Company for the position of air traffic controller. On the basis of available information, the matter is being investigated by Public Prosecutor's Office of Rome.

37. Events after the reporting date

In February 2019, a capital increase was carried out for D-Flight S.p.A., a company created by ENAV to develop the U-space platform for the provision of Unmanned Aerial Vehicles Traffic Management (UTM) services, i.e. the management of so-called "drones". The Parent Company has teamed up with Leonardo in partnership with Telespazio and IDS-Ingegneria dei Sistemi on the venture. Following the capital increase of €6.6 million, 60% of the capital of D-Flight is held by ENAV and 40% by Leonardo, Telespazio and IDS-Ingegneria dei Sistemi through the specifically formed company UTM Systems & Services Srl.

On 4 March 2019 ENAV signed an agreement for the acquisition of 100% of the Air Navigation division of IDS-Ingegneria dei Sistemi S.p.A. The division is responsible for developing software solutions in the areas of aeronautical information management and air traffic management, and it is one of the leading providers of ATM products and services in the world, with customers in Italy, Europe and elsewhere. The Air Navigation division is headquartered in Italy and has other offices, mainly in Canada and Australia. Based on preliminary estimates for 2018, IDS's Air Navigation division had revenues of €24 million, with an expected EBITDA margin in line with that of the ENAV Group. The agreement provides that 100% of the division should have a valuation, currently prior to the due diligence process, of 7.0x of 2018 EBITDA. The closing of the transaction, expected by the end of the summer of 2019, is subject to the successful outcome of the due diligence process, as well as to certain conditions and the issue of authorisations specified in the agreement, which will also be specified in the preliminary contract.

38. Proposal to the ENAV S.p.A. Shareholders' Meeting

Dear Shareholders,

The financial statements for the 2018 financial year show a profit for the year of €102,934,760.74.

You are invited to:

- approve the financial statements at 31 December 2018 showing a profit for the year of €102,934,760.74;
- allocate 5% of the profit for the year, equal to €5,146,738.04, to the legal reserve as provided for pursuant to Article 2430, paragraph 1 of the Italian Civil Code and in the amount of €97,784,861.49 to dividends to be distributed to the Shareholders and €3,161.21 to retained earnings;
- to utilise €10,455,666.63 from the "retained earnings" available reserve in order to distribute, together with the profit for the year allocated as dividend, a total dividend amounting to €108,240,528.12, corresponding to a dividend of €0.1998 per share issued as at the ex-dividend date. Payment of the dividend of €0.1998 per share will occur on 22 May 2019, with the ex-dividend date set for 20 May 2019 and the record date set for 21 May 2019.

The Board of Directors

Certification of the Chief Executive Officer and the Financial Reporting Officer on the separate financial statements

Attestation of Enav SpA's separate financial statement for the year ended 31 December 2018 pursuant to art. 154-bis, paragraph 5, of Legislative Decree 58 of 24 February 1998 and art. 81-ter of CONSOB Regulation 11971 of 14 May 1999.

1. The undersigned Roberta Neri, as Chief Executive Officer, and Loredana Bottiglieri as Manager responsible for Enav SpA's financial reporting, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, hereby attest to:
   - the adequacy with regard to the nature of the Company and
   - the effective application of the administrative and accounting procedures adopted in preparation of the separate financial statements during the period from 1 January 2018 to 31 December 2018.
2. In this regard, it should be noted that:
   - the adequacy of the administrative and accounting procedures adopted in preparation of Enav SpA's separate financial statements was verified by assessment of the internal control system over financial reporting. This assessment was conducted on the basis of the criteria contained in the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* which represents an internationally-accepted *framework* for the internal control system;
   - the assessment of the internal control system over financial reporting did not identify any material issues.
3. We also attest that:

3.1 the separate financial statements for the year ended 31 December 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.

3.2 the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer, as well as a description of the main risks and uncertainties to which it is exposed.

Rome, Italy
11 March 2019

Chief Executive Officer	Manager responsible for financial reporting
Roberta Neri	Loredana Bottiglieri

(This certification has been translated from the original which was issued in accordance with Italian legislation)

Board of Auditors' Report

REPORT OF THE BOARD OF AUDITORS TO THE SHAREHOLDERS' MEETING

(pursuant to Article 2429, paragraph 2 of the Italian Civil Code and Article 153 of the Consolidated Law on Financial Intermediation)

Dear Shareholders,

During the year ended 31 December 2018, the Board of Auditors performed its institutional duties in compliance with the Civil Code, Legislative Decree 39/2010, Legislative Decree 58/1998 ("Consolidated Law on Financial Intermediation" or "Consolidated Law"), the guidelines provided by Consob in its Communications DAC/RM/97001574 of 20 February 1997, and DEM 1025564 of 6 April 2001, as amended by Communication DEM 3021582 of 4 April 2003, Communication DEM 6031329 of 7 April 2006 and Communication DEM/0031948 of 10/3/2017, issued in line with the previous Communications DEM/0007780 of 28 January 2016 and DEM/0003907 of 19 January 2015.

The supervisory activity required by law was also performed in accordance with the provisions of the Corporate Governance Code for listed companies, which the Company adopted with the Board of Director's resolution of 17 February 2016 and the Code of Conduct issued by the National Council of the Italian accounting profession. With reference to the provisions of Legislative Decree 39 of 27 January 2010, in particular Article 19, the Board of Auditors also performed the function of Internal Control and Audit Committee.

Appointment of the Board of Auditors and activities

The Board of Auditors in office at the time of the preparation of this report is composed of Franca Brusco, acting as Chairman, and the standing auditors Donato Pellegrino and Mattia Berti. The former were appointed by the Shareholders' Meeting of 29 April 2016, while the latter was appointed by the Shareholders' Meeting of 20 June 2016, replacing the previous outgoing member. All of the current auditors will remain in office until the Shareholders' Meeting called to approve the financial statements as at 31 December 2018.

The Board of Auditors verified compliance with the independence requirements pertaining to its members and verified they were not ineligible or disqualified pursuant to Articles 2399 of the Civil Code and Article 148, paragraph 3, of the Consolidated Law and the Corporate Governance Code and it verified compliance with the limit on the number of positions that can be held as laid down by Article 144-*terdecies* of the Issuers' Regulation, in compliance with the Rules adopted by the Board of Auditors. The Board of Auditors also carried out the self-assessment of its members on the basis of its internal Rules, also verifying the appropriateness of its composition and the effectiveness of its operation. The results of this self-assessment process were reported to the Board of Directors, which, at the meeting of 1 August 2018, took note of the assessment of the control body.

The magistrate designated by the Italian Court of Auditors in charge of auditing the Company is entitled to participate in the meetings of the Board of Auditors.

In 2018 the activities carried out by the Board of Auditors were performed in regular meetings with the results duly recorded in minutes.

The Board of Auditors took an active part in all the meetings organised by the Company as part of its induction programme for member of the corporate bodies and in the strategy sessions organised by senior executives with the contribution of management, in compliance with the Code of Corporate Governance, in order to improve its skills and familiarity with the business sectors in which the Company operates.

The work carried out by the Board of Auditors in the various areas in which it exercises its supervisory activities is illustrated below in the order indicated by the Code of Conduct issued by the National Council of the Italian accounting profession.

Compliance with the law and the Articles of Association

The Company strengthened its governance arrangements in compliance with the legislation and regulations applicable to listed issuers, and taking account of the Corporate Governance Code and best practice. The Board supervised compliance with the provisions of law and the Articles of Association, as well as with other relevant regulations, above all through participation in, and consequent acquisition of information, the Shareholders' Meeting, the meetings of the Board of Directors, the Remuneration and Appointments Committee, the Control, Risks and Related Parties Committee and the Sustainability Committee. Within the scope of its audit activities, the Board of Auditors also met with the Supervisory Body, the Director in Charge of the internal control and risk management system, the Internal Audit Officer, the Financial Reporting Officer, the Audit Firm EY S.p.A. ("EY"), the directors, the interim General Manager, the heads of the various corporate departments, the administrative body, the control body and Financial Reporting Officer of the subsidiary Techno Sky S.r.l. and representatives of the Company in Italian and foreign subsidiaries.

Specifically, during the year, the Board of Auditors met 17 times and attended 14 meetings of the Board of Directors, one Shareholders' Meeting and, in the person of its Chairperson and/or other members, participated in 14 meetings of the Remuneration and Appointments Committee, 15 meetings of the Control, Risks and Related Parties Committee and 2 meetings of the Sustainability Committee.

With regard to supervision of compliance with the law and the Articles of Association, the Supervisory Body provided the Board of Auditors with information on the issues associated with Legislative Decree 231/01 on an ongoing basis through contacts, with due regard for their reciprocal functions, ensured by the regular participation in the meetings of the Board of Auditors of the Internal Audit Officer in his capacity as an internal member of the Supervisory Body, and through regular meetings in which the Board of Auditors, among other things, examined the Plan of Activities for 2019 and the Report on Activities for 2018, presented to the Board of Directors. No breaches or significant risks left unremedied by corrective measures emerged during these meetings. The same holds with regard to the regular meetings and consequent exchange of information with the Director in Charge of the internal control and risk management system in the person of the CEO.

On the basis of the supervisory activity performed by the Board of Auditors, the Company complied with the disclosure requirements for regulated information, including the requirements governing inside information. In addition, based on the supervisory activity conducted, each body or organisational unit of the Company was found to have complied with the disclosure obligations laid down by applicable regulations.

Overall, the internal or external information flows described and those resulting from the continuous exchange of information and documentation, as also indicated in the minutes of the meetings of the Board of Auditors, appear to demonstrate the conformity of the organisational structure, internal procedures, company records and resolutions of the corporate bodies with the provisions of law, the Articles of Association and applicable regulations, as well as the codes of conduct that the Company has declared it has adopted. Accordingly we report no breach of law, the Articles of Association and regulations, nor any comments worthy of note in this area.

None of the members of the Board of Auditors had any interest, whether on their own behalf or that of third parties, in any given transactions during the year or in the related conduct resulting therefrom.

Compliance with the principles of sound administration

The Board of Auditors acquired all the information required to perform its control and supervision duties by: i) attending the meetings of the Board of Directors, the Control, Risks and Related Parties Committee, the Remuneration and Appointments Committee and the Sustainability Committee; ii) meeting with the top management of the Company and the heads of the Company departments, iii) meeting with the Audit Firm and with the Supervisory Body pursuant to Legislative Decree 231/2001, iv) meeting and exchanging of information with the control and governing bodies of the Italian and foreign subsidiaries, as well as v) analysing information provided by corporate units.

On the basis of the information acquired, management decisions appear to have been inspired by the principle of correct information and reasonableness and the directors were made aware of the risks and effects of the transactions conducted.

During the year, the Board of Auditors received from the CEO regular information, on a quarterly basis, on the general performance of the company, its outlook – including at the various meetings of the Board of Directors in which progress on the Group's 2018-2022 Business Plan and the annual budget was discussed in depth - as well as on the major transactions implemented by the Company or its subsidiaries, without prejudice for the fact that - as from the financial statements – no major financial transactions have been concluded in 2018.

The actions approved and implemented comply with the principles of sound administration and were not manifestly imprudent, reckless or in conflict with the resolutions passed by the Shareholders' Meeting or such that they would compromise the integrity of company assets, nor were any atypical or unusual transactions conducted with third parties, Group companies or related parties or, as noted previously, that would represent a conflict of interest.

Governance and adequacy of the organisational structure and the internal control system

The Company has a structured governance system that is compliant with the Corporate Governance Code and market practice, with targeted measures to perfect governance mechanisms and the control system. The current Board of Directors, appointed by the Shareholders' Meeting on 28 April 2017, which will remain in office until the date of the Shareholders' Meeting to be called to approve the financial statements at 31 December 2019, is today composed of eight directors: Nicola Maione, acting as President, and Roberta Neri, Giuseppe Acierno, Maria Teresa Di Matteo, Fabiola Mascardi, Carlo Paris, Antonio Santi and Mario Vinzia.

On 8 November 2018, the interim Chairman Roberto Scaramella announced his resignation from the office of director of the Company. On the same date, the Board, in compliance with Article 2380-*bis* of the Civil Code and Art. 14.1 of the Articles of Association, appointed Nicola Maione as Chairman of the Board of Directors and tasked the Remuneration and Appointments Committee with performing the preliminary enquires leading to the formulation of a proposal for the co-optation of a Board member to re-establish a Board with nine directors, in accordance with the decisions taken by the Shareholders' Meeting of 28 April 2017. Following the enquiry conducted by the Remuneration and Appointments Committee, the Board of Directors decided to refer to the Shareholders' Meeting the decisions concerning the appointment of a director as well as of the Chairman of the Board of Directors.

With regard to the structure of powers, at its initial meeting on 4 May 2017, the Board of Directors also appointed Roberta Neri as the Director in Charge of the internal control and risk management system. On that occasion, the Board of Directors, reserving to itself, among other things, responsibility for setting corporate policy and strategies, for approving the organisational macro-structure of the Company, the budget, the multi-year plans, including the Strategic Plan, the Business Plan, the Investment Plan and the Performance Plan, as well as other extraordinary corporate transactions and carrying out transactions of particular economic and financial significance, conferred wide-ranging powers on the CEO for the management of the Company, including the power of legal representation, excluding only those reserved by law, by the Articles of Association or that Board resolution to the Board of Directors or the Chairman. At that meeting of the Board of Directors, the Chairman was given the power to coordinate audit activities, to handle national and international institutional relations and the Company's communication and its relations with the media, both domestic and foreign, together with the CEO. The same powers were subsequently granted to Nicola Maione in a resolution of the Board of Directors at its meeting of 8 November 2018 on the occasion of his appointment as Chairman.

The powers delegated appear to be effectively exercised and the decision-making structure formally adopted by the Company corresponds to the structure that exists in practice, also with regard to the hierarchical reporting structure, the corporate decision-making and implementation process, the financial reporting process and the definition and the practical workings of the various levels of control.

Within the scope of the Board of Auditors' supervisory activities, no problems emerged with regard to the composition, size and operation of the Board of Directors and the Board Committees, with particular reference to the requirements for independent directors, the determination of remuneration or the comprehensiveness, expertise and responsibilities associated with each corporate unit.

The Company also has a solid organisational foundation. In this regard, the Board of Auditors acquired information and supervised, within its area of responsibility, the adequacy of the Company's organisation, in compliance with the principles of sound administration and the adequacy of the instructions issued by the Company to its subsidiaries pursuant to Article 114, paragraph 2, of the Consolidated Law, also through: 1) the direct acquisition of information from the managers of the competent corporate units; 2) meetings and exchanges of information with the Board of Auditors and with the CEO of the subsidiary Techno Sky and with the directors of the other domestic and foreign subsidiaries or their contact persons; 3) meetings with the Audit Firm and the findings of specific audits, also involving foreign subsidiaries.

Based on the information acquired, the Board of Auditors successfully performed its supervision of the adequacy of the organisational structure, in terms of structure, procedures, skills and responsibilities in relation to the size of the Company, its nature and the manner in which the corporate purpose is pursued.

The Board of Auditors also supervised the adequacy of the internal control and risk management system (ICRMS), through: i) the examination of the assessment of the Board of Directors, which expressed a positive opinion on the adequacy and effective operation of the ICRMS; ii) the examination of the Report of the Financial Reporting Officer with regard to the administrative and accounting arrangements and to the internal control system for financial reporting, the Internal Audit Report supporting the evaluation of the adequacy of the ICRMS and the Reports of the Control, Risks and Related Parties Committee for 2018, which were prepared in conformity with the provisions of application criterion 7.C.1, letter b) of the Code of Corporate Governance concerning the adequacy of the internal control and risk management system in relation to the characteristics of the business and its risk profile, as well as its effectiveness; iii) the examination of the Half-Year and Annual Financial Reports, the Risk Appetite Statement of the Board of Directors, the risk policies adopted by the Board, as well as the Reports prepared within the scope of Risk Management activities, which are aimed at representing the main risks of the Group and related plans for managing those risks; iv) an examination of the Internal Audit reports, as well as the regular reporting on the progress of audits and findings of the monitoring the implementation of the corrective measures identified following audit activities; v) the reporting provided for by internal procedures with regard to the notification of proceedings initiated by the Italian government bodies/authorities; vi) the acquisition of information from the heads of corporate units; vii) the examination of company documentation; viii) relations with the Board of Auditors of the main subsidiary pursuant to paragraphs 1 and 2 of Article 151 of the Consolidated Law and the position of Chairman of the Board of Auditors of the subsidiary D-Flight held by the Chairman of this Board of Auditors; ix) participation in the work of the Control, Risks and Related Parties Committee and, where necessary, joint handling of certain specific issues; and x) the continuation of specific supervisory initiatives, pursued within meetings of the Board and through periodic requests for updates from the corporate units responsible for issues relevant to our supervisory activities.

The various corporate units comply with requirements for periodic reporting. Following the checks conducted by Internal Audit, which include the two requested by the Board of Auditors, a number of improvement actions were recommended, including with regard to the Company's procedural arrangements and strengthening the control systems. The effectiveness of these actions was also confirmed by the Board of Auditors. These measures were implemented over the course of the year or are, at the date of the preparation of this report, in the process of being implemented.

Internal Audit supported the activities of the Board of Auditors on an ongoing basis. The Internal Audit Officer is always invited to the meetings of the Board of Auditors and regularly attends, thereby ensuring the constant exchange of information and the alignment of our respective supervisory and audit activities, also in conjunction with the Control, Risks and Related Parties Committee, the secretary of which is selected from the staff of the Internal Audit unit. Overall, the activities implemented by the officer were found to be effective and appropriate, as can also be concluded from the Report on Internal Audit activities for 2018, submitted to the Board of Directors at its meeting of 26 February 2019. Internal Audit operates in accordance with the mandate conferred on it by the Board of Directors on 10 November 2016, as confirmed at the meeting of 26 February 2019, and the multi-year Plan prepared and updated each year and approved by the Board of Directors, having obtained the opinion of the Control, Risks and Related Parties Committee and consulted with the Board of Auditors. The Internal Audit Officer is also responsible for handling anti-corruption and anti-fraud issues, oversight of which has now been further strengthened following the adoption of the Code of Conduct for the fight against corruption by the Board of Directors on 2 August 2018, which is based in part on the provisions of ISO 37001. The Company today possesses an adequate prevention system for these issues, having established an effective reporting system (whistleblowing), pursuant to the associated rules. In consideration of the applicability of the Regulation (EU) 2016/679 (the General Data Protection Regulation, of GDPR), the role of the Group Data Protection Officer was assigned to the Internal Audit Officer.

In 2018 Internal Audit received reports of 2 cases, both of which were examined. The Board of Auditors examined the regular reports produced in 2018 by Internal Audit together with each of the 29 planned and unplanned audit reports prepared by that unit, recording all the reports received during the year and the outcomes of the investigations conducted. Of the two unplanned audits conducted at the request of the Board of Auditors, one was successfully completed during the year and one will be performed in 2019. The audits led to the formulation of suggestions designed to further strengthen the internal control and risk management system.

The information flows between Internal Audit, the Supervisory Body, the Board of Auditors and the Control, Risks and Related Parties Committee are substantial and timely. The exchange of information with the three Board Committees is continuous and supported by the participation of the Chairman and, at times, other members of the Board of Auditors and the Internal Audit Officer in the meetings of those Committees.

The Board of Auditors therefore believes that the internal control and risk management system as a whole and in the individual operational areas is adequate in the light of the supervisory activity conducted over planning and the internal control environment, the corporate risk assessment system, the internal control activities, the reporting and communication procedures and mechanisms, as well as monitoring activities.

The adequacy of the administrative and accounting system and statutory auditing of the accounts.

The Board of Auditors monitored the Company's administrative and accounting system and its reliability in correctly representing operational developments, using the information provided by the Chief Executive Officer, the Chief Financial Officer, the Financial Reporting Officer and the heads of the competent units, and that drawn from the examination of the documentation prepared by the Company and analysis of the activities conducted by the Audit Firm.

Specifically, the Board of Auditors noted that in 2018 the Financial Reporting Officer conducted and completed the evaluation of the adequacy and effective implementation of the administrative and accounting procedures pursuant to Article 154-bis of the Consolidated Law. This activity made it possible for the Financial Reporting Officer to certify that the financial statements were in conformity with the applicable international accounting standards and were capable of providing a true and fair representation of the performance and financial position of the Company and that of the companies included in the scope of consolidation.

As far as the activity conducted is concerned, based on the information acquired, the statements, procedures and certifications implemented or issued by the Financial Reporting Officer appear to be complete. The administrative and accounting procedures for the preparation of the Company's financial statements are deemed adequate. This assessment is also supported by the results of independent testing activities entrusted to a qualified consultancy, as well as by the audits performed by Internal Audit. Partly on the basis of this activity, which found no significant issues to report, the Board of Auditors also considered the internal control system for financial reporting to be appropriate.

The Financial Reporting Officer, among other things, updated the Rules governing its activities, subsequently approved by the Board of Directors on 12 March 2018, having obtained the opinion of the Control, Risks and Related Parties Committee and the Board of Auditors.

During the year the Board of Auditors met regularly with the managers of the Audit Firm EY, in order to exchange relevant data and information pursuant to Article 150, paragraph 3, of the Consolidated Law and Legislative Decree 39/2010. In these meetings the Audit Firm did not communicate any significant fact or irregularity that would need to be reported here.

Within the scope of their duties pursuant to Article 19 of Legislative Decree 39/2010, the Board of Auditors evaluated and supervised the financial reporting process as well as the effectiveness of the administrative and accounting control systems and the reliability of the latter in providing an accurate representation of operational developments through: i) the regular exchange of information with the CEO and the Financial Reporting Officer in conformity with the provisions of Article 154-*bis* of the Consolidated Law; ii) the examination of the reports prepared by the Head of Internal Audit and the outcomes of any corrective actions undertaken following the audits; iii) the acquisition of information by the heads of corporate units; iv) liaison with the control and administrative bodies of subsidiaries pursuant to Article 151, paragraphs 1 and 2, of the Consolidated Law; v) participation in the work of the Control, Risks and Related Parties Committee; vi) close examination of key audit matters and other issues that emerged during the exchange of information with the Audit Firm, which also illustrated its strategy, areas of focus, checks performed and the related findings without identifying significant shortcomings concerning internal control over the financial reporting process.

The Board of Auditors also verified the formal and substantive process for valuing ENAV's investment in Techno Sky and in Aireon LLC through the subsidiary ENAV North Atlantic, analysing the methodology applied and results. In this regard, the Board of Auditors found that the methodology and the procedure used for the impairment testing of Techno Sky and the fair value measurement of the investment in ENAV North Atlantic were consistent and appropriate, as presented in the Financial Report, also in light of similar assessments performed by the Board of Directors, supported by the Control, Risks and Related Parties Committee and taking account of the dialogue with the Audit Firm. In this latter regard, the Board carefully examined the opinion issued by the auditors, considering: (i) as regards Techno Sky, the analysis of the forecasts of future cash flows, the verification of the consistency of the forecasts of future cash flows of the investment with the 2018–2022 Financial Plan updated with the 2019 budget, the assessment of the quality of the forecasts with respect to the historical accuracy of previous forecasts and verification of how the long-term growth rates and discount rates were determined, and; (ii) as regards ENAV North Atlantic, the analysis of future cash flows, including an examination of their consistency with the financial plan of the company's development project, and verification of how the discount rate was determined.

With regard to the equity investment in Techno Sky, the Audit Firm performed an independent recalculation and conducted sensitivity analyses of the key assumptions in order to determine what changes in assumptions could significantly impact the assessments of the recoverable value of the investment.

With regard to the equity investment in ENAV North Atlantic, the Audit Firm used internal experts in valuation techniques to verify the valuation model and the inputs used by the Company to measure the fair value of the investment in Aireon LLC.

In the light of its supervisory activity and also taking account of the Board of Directors' finding on 11 March 2019 that the organisational, administrative and accounting arrangements of the Company were appropriate, the Board of Auditors, within the scope of its duties, believes that this system is essentially adequate and reliable in fairly representing operational developments.

On 26 March 2019, the Audit Firm EY, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) 537/2014, issued audit reports on the financial statements and the consolidated financial statements for the year ended 31 December 2018, in which it:

- issued an opinion concluding that the financial statements and the consolidated financial statements of the Group provide a true and fair view of the financial position of the Company and the Group at 31 December 2018, its performance and cash flows for the year ended at that date in compliance with the International Financial Reporting Standards endorsed by the European Union and the provisions issued in implementation of Article 9 of Legislative Decree 38 of 28 February 2005;
- issued a consistency opinion concluding that the report on operations that accompanies the financial statements and the consolidated financial statements at 31 December 2018 and the information in the Report on Corporate Governance and the Ownership Structure indicated in Article 123-*bis*, paragraph 4, of the Consolidated Law, are consistent with the financial statements and have been prepared in conformity with the law;
- confirmed that the opinion on the separate financial statements and the consolidated financial statements expressed in the above-mentioned reports is consistent with the additional report prepared pursuant to Article 11 of Regulation (EU) 537/2014.

The Audit Firm's reports also include a discussion of the key matters involved in the audit of the Company's financial statements and the Group's consolidated financial statements and the respective declarations, made pursuant to Article 14, paragraph 2, letter e) of Legislative Decree 39/2010, that no material errors were found in the contents of the report on operations.

On the same date, the Audit Firm EY also presented the Board of Auditors, in its capacity as Internal Control and Audit Committee, with the additional report required under Article 11 of Regulation (EU) 537/2014, from which it emerges that there are no significant deficiencies in the internal control system for the financial reporting process which need to be brought to the attention of the governance bodies.

The Audit Firm presented the Board of Auditors with the declaration of independence, required by Articles 10 and 17 of Legislative Decree 39/2010, as well as by Article 6 of the above Regulation, from which it appears that there are no situations that could compromise independence. In this respect, the Board believes that no critical aspects have emerged with regard to the independence of the Audit Firm. The Audit Firm also published the 2018 Transparency Report on its website produced pursuant to Article 18, paragraph 1 of the above decree.

With further regard to the assessment of the independence of the Audit Firm, the Board of Auditors, in its capacity as the Audit Committee pursuant to Article 19 of Legislative Decree 39/2010, verified that the total fees in 2018 for non-audit related services paid to the Audit Firm EY and entities within its network by the Company and its subsidiaries complied with the limits pursuant to Article 4, paragraph 2, of Regulation (EU) 537/2014. For this purpose, the nature of these engagements was evaluated in the light of the provisions concerning prohibited services pursuant to Article 5 of this Regulation, finding that the Audit Firm did not perform prohibited non-audit services. In the light of the provisions of that Article 19, the Board of Auditors declares that the fees for non-audit services amount to a total of €105,000 and are indicated, pursuant to Article 149-*duodecies* of the Consob Issuers Regulation, in Note 40 to the consolidated financial statements at 31 December 2018. In the light of the available information and the findings of the checks performed, the Board of Auditors has concluded that the independence of the Audit Firm can be confirmed.

The separate and consolidated financial statements

The Board examined the draft financial statements for the year ended 31 December 2018, which reported a profit for the year of €102,934,760.74 and, as far as the Board of Auditors is aware, there are no derogations from statutory rules.

As the Board of Auditors is not required to perform the statutory audit, it monitored the general approach adopted with the financial statements and their conformity with the law as far as their formation and structure are concerned, without finding any issues that would need to be reported. The Board of Auditors also verified compliance with the laws concerning the preparation of the report on operations, also in this case finding no issues to report. The directors discussed in the notes and the report on operations the items that contributed to the financial result and the events giving rise to that performance.

The separate financial statements of ENAV at 31 December 2018 were prepared in conformity with the International Accounting Standards (IAS) and International Financial Reporting

Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations (IFRIC and SIC), endorsed by the European Union with Regulation (EC) No. 1606/2002 of 19 July 2002, as well as pursuant to Legislative Decree 38 of 28 February 2005 governing the application of the IFRS within the scope of Italian law. The accounting policies adopted reflect ENAV’s ongoing operations in the foreseeable future, having adopted the assumption that the Company is a going concern, and are in conformity with those applied in the preparation of the financial statements for 2017, with the exception the most recently adopted principles, that are mentioned within paragraph 4 of the notes to the financial statements.

As noted previously, ENAV’s 2018 financial statements were audited by the Audit Firm, which, pursuant to Articles 14 and 16 of Legislative Decree 39/2010, issued an opinion with no qualifications or emphases of matter.

The Audit Firm also issued their report on the auditing of the 2018 financial statements of the subsidiary Techno Sky S.r.l. In addition, during the regular meetings with representatives of the Audit Firm, the latter did not highlight any issues relating to the reporting packages of the main foreign companies of the ENAV Group.

With regard to the proposal made by the Board of Directors to the Shareholders' Meeting for the allocation of ENAV’s profit for 2018 and the distribution of available reserves, the Board of Auditors, having performed the necessary checks, has no comments on the matter.

With regard to the provisions of Articles 15 et seq. of the Markets Regulation on the issue of accounting transparency, the adequacy of the organisational structure and the internal control system of non-EU subsidiaries, as at 31 December 2018, the Board of Auditors notes that the relevant subsidiaries for the purposes of these provision are correctly included within the scope of the internal control system for financial reporting, in relation to which no significant shortcomings have been reported. In this respect, in approving the draft financial statements for 2018, in March 2019 the Board of Directors of the Company, following appropriate checks conducted by the Control, Risks and Related Parties Committee and having consulted the Board of Auditors, also confirmed compliance with the regulatory framework referred to above.

The Board of Auditors, having deemed the audit activities carried out to be sufficient, waived the deadline laid down by Articles 2429 of the Civil Code and 154-ter of the Consolidated Law for the preparation of this report.

Without prejudice to the fact that the Board of Auditors has no obligation to report or express formal opinions on the consolidated financial statements, which is the responsibility of the Audit Firm, it was acknowledged that the year ended with a consolidated profit of €114,390,115 pertaining entirely to the shareholders of the Parent Company and how the specific report of EY, prepared pursuant to Article 14 of Legislative Decree 39/2010, did not include any findings or emphases of matter. In any case, the Company has declared that it has prepared the 2018 consolidated financial statements of the ENAV Group in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations (IFRIC and SIC), endorsed by the European Union with Regulation (EC) No. 1606/2002 of 19 July 2002, as well as pursuant to Legislative Decree 38 of 28 February 2005 governing the application of the IFRS within the scope of Italian law. The main relationships with subsidiaries are discussed below in the specific section of this report.

The consolidated non-financial statement (NFS)

The Company, which was already compliant with Legislative Decree 254/2016 regarding non-financial reporting, having prepared a non-financial statement ("NFS") for 2017, decided to prepare the ENAV 2018 Sustainability Report and consolidated statement of non-financial information pursuant to Legislative Decree 254/2016, evolving from a situation of regulatory compliance to a system enabling the development of a new and complementary approach to creating value in the short, medium and long term. Taking into account, *inter alia*, the institution of the Sustainability Committee, with a resolution of the Board of Directors on 27 June 2018, a series of additional initiatives were taken to prepare the Sustainability Report, such as: stakeholder engagement, supplementation of ERM with additional non-financial risks, preparation of the 2018-2020 Sustainability Plan and adoption of the Global Reporting Initiative (GRI) core standards.

Pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016, the Sustainability Report underwent an assurance audit by EY, the entity engaged to perform the statutory audit.

The Board of Auditors, pursuant to Article 3, paragraph 7, of Legislative Decree 254/2016, monitored compliance with the provisions contained in that decree on the consolidated non-financial statement ("NFS") and, in this regard, found that the Company fulfilled the obligations required by law for the purpose of preparing that statement as contained within the Sustainability Report, in conformity with Articles 3 and 4 of that decree, as well as Article 5 of the Consob Regulation adopted with Resolution 20267 of 18 January 2018, and has prepared it in conformity with the principles and methods set out in the GRI core standards selected by the Company.

The Sustainability Report and consolidated non-financial statement for 2018, approved by the Board of Directors on 11 March 2019, was accompanied by the limited audit report issued by EY on 26 March 2019.

The corporate governance rules

The Company has adopted the Corporate Governance Code for listed companies approved by the Corporate Governance Committee of Borsa Italiana S.p.A., considering that the alignment of ENAV's corporate governance arrangements with Italian and international best practice, on which the Corporate Governance Code is founded, is a key prerequisite for achieving the objectives of the Company, which therefore works to ensure that its corporate governance rules are consistent with those provisions.

The Board of Auditors verified that the Report on Corporate Governance and Ownership Structure for 2018 - prepared in accordance with the instructions in the Rules for the markets organised and operated by Borsa Italiana S.p.A. and pursuant to Article 123-*bis* of the Consolidated Law, as approved by the directors on 11 March 2019 and made available to the public on the Company's website and in the other forms provided for by law - provides a detailed and accurate description of the corporate governance system.

The Board of Auditors believes that the report conforms to the rules laid down by the Corporate Governance Code and, based on the findings of the supervisory activities conducted, these rules were effectively and correctly applied.

The Board of Auditors also verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of directors.

The Board of Auditors verified that the Remuneration Report - prepared pursuant to Article 123-*ter* of the Consolidated Law and Article 84-*ter* of the Issuers Regulation, whose first section concerning remuneration policy for 2019 will be put to a non-binding vote of the Shareholders' Meeting called for 26 April 2019 - had been approved by the Board of Directors.

Relationships with the Parent Company and with the subsidiaries

At 31 December 2018 the Ministry for the Economy and Finance (MEF) owned 53.28% of ENAV, 46.50% was owned by institutional and individual shareholders and 0.22% of treasury shares is owned by the Company.

As far as relations with the MEF are concerned, the Company is subject to the golden power rules pursuant to Legislative Decree 21 of 15 March 2012, ratified with amendments with Law 56 of 11 May 2012, as specified in the Report on Corporate Governance in section 1.6. In this regard, note that during the 2018 financial year, following the procedure to select an industrial partner for the purchase of a minority stake in the share capital of a newco established for this purpose, ENAV established the single-shareholder company D-Flight S.p.A. Subsequently, on 28 February 2019, following the authorisation issued by the Prime Minister's Office for the purposes of the golden power rules, a capital increase was subscribed by the industrial team selected in the call for partners, which acquired a 40% stake in D-Flight.

Among the subsidiaries over which ENAV exercises management and coordination, the Italian company Techno Sky S.r.l., which is responsible for maintaining the plant, systems and software used for air traffic control in Italy and other countries in order to ensure their full operational efficiency and uninterrupted availability, is of particular importance. The Board of Auditors met with the control body of Techno Sky in order to exchange the necessary information, as well as to examine the financial statements for 2018, which were consolidated by the Company, and the reports of the control bodies, from which nothing significant emerged that would suggest the inadequacy of the internal control and risk management system. An independent Supervisory Body pursuant to Legislative Decree 231/01 operates within Techno Sky and, on the basis of the mandate granted, Internal Audit operates for all Group companies. Specifically, Internal Audit function informs the Board of Auditors of Techno Sky of the audits conducted and the results.

Related-party transactions

The Company has adopted rules that ensure the transparency and the substantive and procedural fairness of related-party transactions, in accordance with the general principles indicated by Consob, as described in the report on operations in the 2018 Annual Report. Specifically, on 21 June 2016 and with effect from the listing date, the ENAV Board of Directors approved the

“Procedure for related-party transactions”, pursuant to Article 2391-*bis* of the Civil Code and the Regulation adopted by Consob with Resolution 17221/2010 as amended. This procedure, having obtained the favourable opinion of the Control, Risks and Related Parties Committee and consulted the Board of Auditors, was most recently updated by the Board of Directors on 12 December 2018.

Specifically, as stated, the rules governing the operation of that Board committee were adopted with a Board resolution of 21 June 2016, while the Committee was appointed for the first time with a resolution of 8 June 2016 and, following the appointment of the new Board of Directors, new members were appointed with a resolution of 4 May 2017, subsequently modified on the occasion of the reorganisation of governance arrangements on 13 November 2018 following the appointment of a new Chairman of the Board of Directors. The members of the Control, Risks and Related Parties Committee have met the independence requirements laid down by the Corporate Governance Code since the creation of the committee.

The Board of Auditors found that the activity conducted by the committee and the information provided by the Board of Directors in the report on operations with regard to intercompany and related-party transactions was appropriate.

The 2018 financial statements provide information on related-party transactions in accordance with the provisions of IAS 24. The extent of relations of a commercial and other nature and those of a financial nature with related parties is adequately reported in the notes to the financial statements, which we invite the reader to consult for information on the type of such transactions and the related financial effects. These transactions, identified by IAS 24, mainly regard the exchange of goods, the provision of services and the supply and use of financial resources. The notes to the financial statements also discuss the procedures adopted to ensure that related-party transactions are conducted in compliance with the criteria of transparency and procedural and substantive fairness. Note that the transactions indicated were implemented in compliance with the approval and execution methods set out in the above procedure and described in the Report on Corporate Governance and Ownership Structure for 2018. All transactions carried out in 2018 were undertaken as part of ordinary operations and, unless otherwise specified, were settled on market terms and conditions, i.e. the terms and conditions that would apply to two independent parties, and were carried out in the interest of Group companies.

Omissions and censurable actions. Complaints filed and opinions provided.

In the course of performing its supervisory activity, the Board of Auditors found no omissions by the directors or censurable actions, meaning that there are no irregularities that would require reporting to Consob pursuant to Article 149, paragraph 3, of the Consolidated Law.

During the year and to date, the Board of Auditors received no complaints pursuant to Article 2408 of the Civil Code.

In a notice received on 28 May 2017, a shareholder submitted a complaint pursuant to Article 2408 of the Civil Code concerning, *inter alia*, an allegation that a question posed before the 2017 Shareholders’ Meeting concerning data on the filling of positions reserved to protected categories pursuant to Law 68/99, containing rules for the right to work of disabled people within the Group’s Italian companies, had not been answered in full. Following the enquiry performed with the support of internal units, and taking account the Company's ongoing discussions with the entities concerned, , at present the Board of Auditors has not identified any censurable actions pursuant to Article 2408 of the Civil Code.

In 2018, the Board of Auditors was called upon to express the following opinions, all of which were favourable, with regard to:

- i) the approval of the short-term variable component of the remuneration of the Chief Executive Officer for 2018 (MBO) and of the guidelines relating to the MBO scheme for key management personnel;
- ii) the updating of the Compliance Model pursuant to Legislative Decree 231/2001;
- iii) the approval of the Internal Audit Activity Plan for 2018, with the related budget;
- iv) guidelines of the internal control and risk management system;
- v) the updating of the rules governing the activity of the Financial Reporting Officer;
- vi) the risk policy on brokerage contracts of the ENAV Group;
- vii) the evaluation of the adequacy of: (i) the organisational, administrative and accounting arrangements of the Company pursuant to Article 2381, paragraph 3, of the Civil Code and of Application Criterion 1.C.1, letter c) of the Corporate Governance Code for listed companies; (ii) powers and resources at the disposal of the Financial Reporting Officer for the performance of the duties assigned to him by law, pursuant to Article 154-bis, paragraph 4, of Legislative Decree 58/98 (the Consolidated Law); and (iii) ENAV's internal control and risk management system with respect to the characteristics of the company and the risk profile it has assumed, as well as its effectiveness pursuant to and for the purposes of the recommendations of Application Criterion 7.C.1, letter b) and letter e) of the Corporate Governance Code for listed companies;
- viii) the determination, pursuant to Article 2389, paragraph 3 of the Civil Code, of the remuneration for members of the Sustainability Committee;
- ix) the determination, pursuant to Article 2389, paragraph 3, of the Civil Code, of the remuneration of the Chairman of the Board of Directors.

Conclusions

Based on the activities performed as described above, and taking account of the considerations reported above, the Board of Auditors expresses its favourable opinion on the proposal to approve the financial statements as at 31 December 2018 and on the proposal to allocate the profit for the year in accordance with the terms formulated by the Board of Directors.

26 March 2019

Franca Brusco - Chairperson

Mattia Berti - Standing Auditor

Donato Pellegrino - Standing Auditor

Independent Auditor’s Report

on the separate financial statements

Enav S.p.A.

Financial statements as at December 31, 2018

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Po, 32
00198 Roma

Tel: +39 06 324751
Fax: +39 06 32475504
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Enav S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Enav S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2018, the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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Key Audit Matter	Audit Response
Valuation of the investment in Techno Sky S.r.l. The investments in subsidiaries at 31 December 2018 amount to Euro 147 million, of which 99,2 million referred to the subsidiary Techno Sky S.r.l.. At least once a year, the company management assess the existence of impairment indicators for the investment, coherently with its strategy of managing legal entities within the group and, if they occur, the management execute an impairment test; in particular, the carrying amount of the investment in Techno Sky is greater than the corresponding equity portion and therefore has been performed the impairment test of the investment. The identification of impairment indicators as well as the processes and methodologies for assessing and determining the recoverable value of the investment are based on assumptions, sometimes complex, that for their nature require management's judgment. This judgement is referred, in particular, to the identification of impairment indicators, to the forecast of the future cash flows for the period of the economic and financial plan 2018 - 2022, updated with the budget for 2019, to the determination of the normalized cash flows used for the calculation of the terminal value and the determination of long-term growth rate and discount rates applied to the forecasted future cash flows. In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of the investment, we have determined that this area constitutes a key audit matter. The disclosures related to the assumptions and estimates used by the corporate management are included in the explanatory note "Use of estimates and management judgements ", while the disclosures related to the process for determining the recoverable value of the investment are included in note "7. Investments".	Our audit procedures in response to this key audit matter concerned, among others, consistently with the corresponding impairment test of the goodwill performed for the consolidated financial statements, the assessment of the forecasted future cash flows, the verification of the consistency of the forecasted future cash flows of the investment, with the financial plan 2018 - 2022, updated with the budget for 2019, the assessment of management's ability to make accurate projections, through the comparison of the actual results with the previous forecast and the assessment of the long-term growth rate and discount rate. In performing our procedures, we have leveraged the assistance of our experts in valuation techniques, who performed an independent recalculation and sensitivity analysis of the key assumptions in order to determine any changes in assumptions that could have a significant effect on the valuation of the recoverable value. Lastly, we reviewed the disclosures provided in the notes to the financial statement regarding the valuation of the investment in Techno Sky S.r.l..

Valuation of the investment in Enav North Atlantic LLC

The investment in the subsidiary Enav North Atlantic LLC is accounted at 31 December 2018 under the line item Investments in subsidiaries for a value of Euro 47,5 million.
Enav North Atlantic LLC has been incorporated by Enav S.p.A. in order to make the investment in the US Company Aireon LLC.

The processes and methods for assessing and determining the recoverable value of the investment, are based on the fair value measurement of the investment in Aireon LLC, performed in the consolidated financial statement.

In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of the investment, we have determined that this area constitutes a key audit matter.

The disclosures related to the valuation of the investment in Enav North Atlantic LLC are included in the explanatory note "Use of estimates and management judgements" while the disclosures related to the methods of execution of the impairment test are included in the note "7. Investments".

Our audit procedures in response to this key audit matter concerned, among others, the analysis of the future cash flows, also with reference to their consistency with the economic and financial plan for the development project of the investee, and the assessment of the long-term growth rate and the discount rate.

In performing our procedures, we have leveraged the assistance of our experts in valuation techniques, in order to verify the methodology used in the process, the mathematical accuracy of the model and the reasonableness of the assumption used by the management for the fair value measurement of the investment in Aireon LLC.

Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding the valuation of the investment in Enav North Atlantic LLC.

Recognition and valuation of revenues – cd. Balance

The policy for recognizing revenues from en-route and terminal services provides for positive or negative revenue adjustments recorded at the year-end in order to reflect the effective performance for the year; such revenue adjustments, performed through the "Balance" mechanism, are regulated through specific tariff mechanisms during the years following the current financial year.

The processes and methodologies for measuring such revenue adjustments are based on complex calculation algorithms and assumptions that for their nature require management's judgement, in particular with reference to the estimated recovery of the amounts in the financial years following the financial current financial year and the determination of the discount rate.

In consideration of the complexity involved in estimating revenue adjustments from the Balance mechanism, we have determined that this area constitutes a key audit matter.

The disclosures related to the revenues accounting policy and the measurement methodologies provided under the Balance mechanism are included in notes "3. Accounting standards" and "Use of estimates and management judgements".

Our audit procedures in response to the key audit matter concerned, among others, the understanding of the applicable legislation, the understanding and evaluation of the estimation methodologies used by the management, the assessment of the processes for the determination Balance, the assessment of the discount rate assumed and the verification of the arithmetic correctness of the calculations performed by the management.

Lastly, we reviewed the disclosures provided in the notes to the financial statements with reference to the measurement and accounting methodology of revenue adjustments provided under the Balance mechanism.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern, when preparing the financial statements, for the appropriateness of the going concern assumption and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Enav S.p.A., in the general meeting held on April 29, 2016, engaged us to perform the audits of the financial statements and the consolidated financial statements for each of the years ending December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Enav S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Enav S.p.A. as at December 31, 2018, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Enav S.p.A. as at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Enav S.p.A. as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, 26 March 2019

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 SpA

Via Salaria 716, 00138 Rome

Tel. +39 06 81661

www.enav.it

Legal information

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

Tax ID and enrolment number in the Company Register

of Rome: 97016000586

VAT Registration No. 02152021008

Investor Relations

e-mail: ir@enav.it