



**Draft ENAV S.p.A. Financial Statements
and Consolidated Financial Statements
at 31 December 2019**



Annual Financial Report
2019

Contents

ENAV Group in figures	4
Report on Operations	5
Corporate bodies	6
Corporate Governance	7
Consolidated statement of non-financial information	7
Organisational model and activities of the ENAV Group	8
Information on ENAV's stock in 2019	11
Operations	12
Operating environment and performance	12
Market and air traffic developments	15
Safety and capacity indicators	20
Performance and financial position of the ENAV Group	23
Performance and financial position of ENAV S.p.A.	34
Human resources	40
Investments	43
Environment	45
International activities	48
Commercial operations	49
Other information	50
Information on the main ENAV companies	54
Reconciliation of the shareholders' equity and net profit of ENAV S.p.A. with the corresponding consolidated figures	59
Risk management	60
Significant events after 31 December 2019	65
Outlook for operations	66
Proposals to the ENAV S.p.A. Shareholders' Meeting	67
Consolidated financial statements and notes to the financial statements	68
Separate financial statements and notes to the financial statements	162

ENAV Group in figures

Performance	2019	2018	Change	%
Total revenues	902,891	889,740	13,151	1.5%
EBITDA	302,871	297,381	5,490	1.8%
EBITDA margin	33.5%	33.4%	0.1%	
EBIT	170,587	164,391	6,196	3.8%
EBIT margin	18.9%	18.5%	0.4%	
Profit for the year attributable to the Group	118,433	114,390	4,043	3.5%

Thousands of euros

Financial position	31.12.2019	31.12.2018	Change	%
Net capital employed	1,029,667	1,139,517	(109,850)	-9.6%
Equity	1,156,043	1,137,559	18,484	1.6%
Net financial debt	(126,376)	1,958	(128,334)	n.a.

Thousands of euros

Other indicators	2019	2018	Change	%
En-route service units	10,045,778	9,433,866	611,912	6.5%
Terminal service units Charging Zone 1	233,630	229,992	3,638	1.6%
Terminal service units Charging Zone 2	344,594	330,373	14,221	4.3%
Terminal service units Charging Zone 3	440,107	423,205	16,902	4.0%
Free cash flow (thousands of euros)	248,566	187,302	61,264	32.7%
Headcount at end of year	4,195	4,114	81	2.0%



Report on Operations

Corporate bodies

Board of Directors

Chairman (*)	Nicola Maione
Chief Executive Officer	Roberta Neri
Directors	Giuseppe Acierno
	Pietro Bracco (*)
	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	Giuseppe Acierno
Members	Pietro Bracco
	Maria Teresa Di Matteo

Sustainability Committee (**)

Chairman	Carlo Paris
Members	Pietro Bracco
	Fabiola Mascardi

Board of Auditors (***)

Chairman	Dario Righetti
Standing auditors	Franca Brusco
	Pierumberto Spanò
Alternate auditors	Francesca Parente
	Roberto Cassader

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

Mauro Orefice

Audit firm

EY S.p.A.

(*) The Shareholders' Meeting of 26 April 2019 reappointed Nicola Maione as Chairman of the Board of Directors of ENAV and restored the membership of the Board with the appointment of Pietro Bracco as a director;

(**) The membership of the Remuneration and Appointments Committee and the Sustainability Committee was modified by the Board of Directors on 15 May 2019;

(***) The Shareholders' Meeting of 26 April 2019 appointed the Board of Auditors, which will remain in office for the 2019 -2021 period.

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 12 March 2020 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, as amended by Legislative Decree 49 of 10 May 2019, which transposed Directive 2017/828 (the Shareholders Rights Directive 2) into Italian 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 implementation of EU legislation (Directive 2014/95/EU) and national law (Legislative Decree 254/2016) that introduced an obligation for public interest entities to provide non-financial information, since 2017 ENAV has prepared a consolidated statement of non-financial information (NFS) as a separate report subject to independent approval by the Board of Directors of ENAV.

As in 2018, the Group has prepared 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

Last year saw various Group organisational changes, including the implementation of a common organisational model with the subsidiaries, which distinguished between:

- **core business processes**, which are the exclusive responsibility of the subsidiaries, who functionally liaise with the competent units of the Parent Company for support and specialist coordination activities, consistent with the strategic objectives set by the Parent Company;
- **support processes**, i.e. all those interfunctional processes supporting operations that are provided by the Parent Company to the subsidiaries.

Other measures impacted interfunctional strategy governance processes to ensure the integrated and efficient alignment of long-term objectives across all Group companies. To this end, the Strategic Management Office was set up, reporting directly to the CEO, with the task of defining the long-term integrated vision and strategies; monitor developments in international regulations for the industry and network effectively with stakeholders in order to pursue the interests of the group; guide the development of strategic marketing, identifying the portfolio of products and services to be marketed, the markets with the greatest potential and the most effective marketing methods; and align objectives within the organisation and ensure their implementation.

At the general level, the organisational measures carried out involved the following areas:

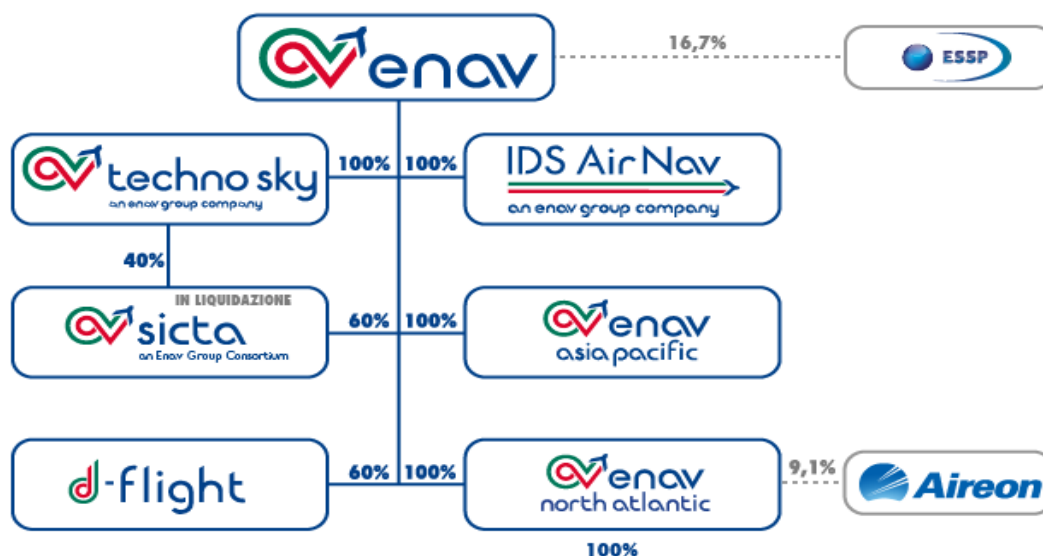
- ❖ the Operations unit, which is responsible for providing the core Air Traffic Management (ATM) services, was involved in a significant reorganisation aimed at consolidating the evolution begun in 2018 towards a more modern long-term configuration. More specifically, arrangements were established for the strategic planning of operational services and the evolution of ATM systems and remote towers; responsibility for non-Air Navigation Services (ANS) support services was unified under a single roof; strategic systems were reconfigured by geographical area based on a principle of airspace contiguity, eliminating the distinction between en-route and airport zones; and all operational and technical training efforts were integrated into operations;
- ❖ the Technology unit, which is responsible for the engineering and maintenance of ATM infrastructure, systems and software and for implementing investments, underwent a far-reaching review aimed at implementing more modern and efficient management of engineering processes and maintenance of technology systems, ATM software and the associated platforms, as well as strengthening control over the planning and monitoring of strategic investments;
- ❖ the HR and Corporate Services unit was involved in organisational initiatives concerning the redefinition of the duties of the various centres of expertise (organisation, development, training, planning and management of labour costs, industrial relations, personnel welfare and services, ERP

and management applications) and the establishment of a People Business Partner unit, dedicated to implementing personnel management and interfunctional human resource processes, through the coordination of the specialist services provided by the centres of expertise;

- ❖ the Finance and Procurement unit was involved in organisational modifications designed to centralise responsibility for the financial, planning and control and procurement process that had previously been allocated to the subsidiaries;
- ❖ the Internal Audit unit underwent a reorganisation aimed at ensuring tighter control over issues connected with the provisions of Legislative Decree 231/2001.

The Group's business

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



The *air navigation services* sector is the exclusive domain of **ENAV S.p.A.**, 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* sector is covered by **Techno Sky S.r.l.**, 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 *AIM (Aeronautical Information Management) software solutions* segment is occupied by **IDS AirNav S.r.l.**, acquired in full by ENAV on 18 July 2019, which is involved in the development of software solutions for the management of aeronautical information and air traffic management, delivering the associated commercial services to a range of customers in Italy, Europe and elsewhere in the world.

The residual *other sectors* segment 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 S.p.A.**, a company incorporated in November 2018 with 100% of its share capital initially subscribed by ENAV, although that stake subsequently decreased to 60% following the entry as shareholders on 28 February 2019 of an industrial partnership headed by Leonardo S.p.A. with Telespazio S.p.A. through the specifically established company UTM Systems & Services S.r.l. That company subscribed a capital increase with payment of the share premium reserve in the total amount of €6.6 million. D-Flight 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 2019

ENAV, which has been listed on the Mercato Telematico Azionario (MTA) operated by Borsa Italiana S.p.A. since 26 July 2016 is currently the only Air Navigation Service Provider (ANSP) listed on an equity market. Since the date of listing, the ENAV stock price has risen by 61.21%, closing at €5.32 per share at 31 December 2019. During 2019, the stock trended upward, opening the year at €4.20 and closing the period at €5.32 (an increase of 26.8%, without considering the dividend yield), giving ENAV a market capitalisation of €2.9 billion. In the same period, the FTSE MIB, the index of the top 40 Italian stocks, rose by 28.23% and the FTSE Mid Cap index, of which ENAV is part, rose by 17.33%. The price of the stock peaked on 19 December 2019 at €5.43, while the low was registered on 2 January 2019 at a price per share of €4.20. The ENAV stock performance in 2019 was influenced by general market volatility, partly reflecting the country's political uncertainty. Nevertheless, these exogenous factors were more than offset by the excellent performance achieved by the ENAV Group.



The Parent Company holds treasury shares acquired in 2018, while no such shares were purchased in 2019. At 31 December 2019 ENAV held 1,200,000 treasury shares, equal to 0.22151% of share capital, purchased 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 the end of 2019 ownership of ENAV's share capital, amounting to €541,744,385, broke down as follows: 0.22% was held by the Parent Company 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 2019, global economic growth remained weak, slowing during the last quarter of the year. In the euro area, economic activity was held back by the weakness of manufacturing, which was particularly pronounced in Germany.

As far as Italy is concerned, the latest information provided by the Bank of Italy shows that economic activity was uncertain, growing slightly in the third quarter of 2019 before stagnating in the fourth, showing weakness in manufacturing and other industry.

According to preliminary figures released by ISTAT, in the fourth quarter of 2019, Italian GDP contracted by 0.3% compared with the previous quarter and remained unchanged compared with the same period of 2018. However, ISTAT also specified that the fourth quarter of 2019 had two fewer working days than the previous quarter. Adjusting for this effect, in 2019 GDP expanded by 0.2%.

As regards inflation, according to the latest figure from EUROSTAT, prices rose by 0.6% in 2019.

Nevertheless, the economic situation did not have an adverse impact on air traffic in Italy, where in 2019 200 million passengers passed through Italian airports. Based on data released by Assaeroporti, last year saw an increase of 4% in passengers compared with 2018 (7.4 million more than the previous year). According to the association, this performance was driven by international traffic, with over 128 million passengers, an increase of 5.8% compared with 2018. Within this segment, growth of 4.5% was registered for European traffic and 9.9% for non-European traffic. Conversely, domestic air traffic showed a gain of 0.7%, compared with the 3.3% recorded in 2018. As regards passenger traffic by airport, the leaders were Rome Fiumicino, Milan Malpensa, Bergamo, Venice, Naples, Catania, Bologna, Palermo, Milan Linate (which was closed from late July to late October 2019), Rome Ciampino and Bari.

These positive figures are confirmed by the Group's result in terms of service units and number of flights handled. In particular, en-route traffic (expressed in terms of service units) ended 2019 with a significant gain (+6.5%) on 2018. This growth is even more impressive if we bear in mind the fact that 2018 was already a record year for en-route traffic, with the number of service units expanding by 9.3%. In 2019, Italy posted the strongest growth in service units among the major European countries.

During 2019, all quarters recorded gains, with a peak reached in the third quarter (+7.6%), although this was followed by a slowdown in the last quarter of the year, mainly connected with a general contraction in air traffic throughout the European area. Monthly figures show June and July performing especially well, with traffic through national airspace growing by 9.6% and 9.1% respectively.

The excellent performance recorded during 2019 was highly correlated with the increase in overflight traffic (about 42% of total en-route traffic), which grew by 9.3% compared with 2018, the strongest performance in absolute value in the last ten years. This growth was mainly buoyed by increases in medium



and longer distance flights, with the most significant flows being registered between Europe-Africa, Europe-Asia and Europe-American Continent.

International traffic also expanded, with an overall increase of 5.7%. Here, too, the figure for the number of service units was the highest registered in the last ten years. In this flight category, 2019 stood out, as did 2018, for the major rebound in connections between Italy and Africa (+15.2% in terms of SUs), mainly driven by the revival of tourist traffic to Egypt.

Last year was especially important for the ENAV Group because despite the considerable effort required by the strong expansion of traffic flows, the Parent Company successfully deployed a maximum effort to maintain service quality at the highest levels and further develop its commercial offering in non-regulated businesses, thanks in part to the acquisition of IDS AirNav Srl on 18 July 2019. This company produces aeronautical software solutions, a field in which it is a global leader with software and hardware systems in operation in over 70 countries around the world. This acquisition has enabled the Group to boost its know-how in its core activities, in terms of the quality of air traffic control services provided, and to expand its range of services and penetration in the non-regulated market.

Last year was the final year of the second reference period (2015-2019) and the starting point of ENAV's new operational and financial planning, which will be a fundamental part of the new Performance Plan for the 2020-2024 reference period.

In 2019, the European Union established rules, objectives and models for the performance and charging scheme for the third reference period, with the issue of Implementing Regulation (EU) no. 2019/317 introducing a number of changes compared with the scheme for the second reference period. This was followed in May by the publication of Commission Implementing Decision (EU) no. 2019/903, which set performance targets for the third reference period. In this period, the Parent Company, as the leading national provider, collaborated on an ongoing basis with the Italian Civil Aviation Authority (ENAC) on the preparation of the National Performance Plan for 2020-2024. The Plan, in compliance with the deadlines set under the new European regulatory framework, was sent to the appropriate EU institutions for approval.

Thanks to the skills of its operating staff and the continuous deployment of technology to maximize service efficiency, in 2019 ENAV achieved the capacity target set out in the Performance Plan for both en-route and terminal traffic for the fifth consecutive year. This result is especially significant in view of the increase in the levels of air traffic handled during the year. In fact, with an en-route target of 0.11 minutes of delay per flight handled, in 2019 ENAV registered a performance of 0.021 minutes/flight compared, with an average for its major European partners of 0.9 minutes of delay per flight. As regards terminal traffic, with a target of 0.02 minutes/flight, the performance achieved by ENAV was 0.00 minutes/flight. These results qualified the Parent Company for the financial bonus for service quality envisaged in the national regulatory scheme.

While continuing its efforts to maintain excellent service quality levels, in 2019 ENAV also focused on initiatives for enhancing efficiency and environmental protection. As part of the objectives of the Flight Efficiency Plan to optimise flight routes and implement an airspace structure that ensures the achievement of flight efficiency objectives, in December 2016 (some 6 years ahead of the deadline set by the European regulations governing the Single European Sky), ENAV implemented the Free Route Airspace Italy Project (FRAIT). The free route project was a revolutionary project for national and European air transport since it allowed airlines to plan the shortest possible routes for their flights, flying directly from an entry point to an exit point from Italian airspace, saving fuel, reducing harmful emissions and consequently costs, while obviously keeping safety levels unchanged. Thanks to the free route system, over 129 million kg of fuel were saved in the 2017-2019 period, lowering emissions by about 409 million kg of CO₂. For 2019 only, fuel savings came to 55 million kg, while emissions were reduced by 172 million kg of CO₂. These factors have enhanced the attractiveness of Italian routes, enabling an increase in service units for the second consecutive year compared with previous years.

The operating performance registered last year, together with the increase in revenues from non-regulated activities due to the consolidation of IDS AirNav, enabled ENAV to post EBITDA of €302.9 million, an increase of 1.8% compared with 2018, and a net profit of €118.4 million, an increase of 3.5% compared with the previous year. This performance stands out even further if we consider the fact that the determined unit cost (DUC) for 2019 was 4% lower than in 2018.

Total fee revenues, i.e. including the impact of balances, increased by 1.8%, reflecting the combined effect of the increase in both en-route and terminal service units and the reduction in the DUC. Total fee revenues were also adversely impacted by inflation during the year. The inflation rate was in fact +0.6%, lower than that indicated in the Performance Plan (+1.60%). The application of the cumulative calculation mechanism, as required under EU rules, increased the amount reimbursed to carriers by €7.1 million to €25 million.

The operating result was positively influenced by revenues on the non-regulated market. Consolidated revenues from non-regulated activities, including the contribution of the IDS AirNav subsidiary, amounted to €19.2 million in 2019, an increase of €5.7 million compared with 2018. This is all the more impressive if account is taken of the contraction in the activities of the Techno Sky subsidiary at the airports of Mitiga and Tripoli in the wake of the socio-political upheaval that is characterizing the Libyan region.

Finally, personnel costs increased by 3.3% (+2.5% excluding IDS AirNav). This reflected contractual developments at the two largest Group companies, an increase in overtime and the effects of the summer season agreement aimed at ensuring maximum service efficiency despite the significant increase in traffic, offset by a decrease in external costs, which, despite the consolidation of the costs of IDS AirNav, contracted by about €8 million compared with the previous year.

Market and air traffic developments

Air traffic control activities in the countries of the Eurocontrol area saw an increase in traffic flows in terms of en-route service units (*) in 2019 compared with 2018, with Italy registering an increase of 6.5% (+9.3% in 2018 compared with 2017), while the overall performance of the countries participating in Eurocontrol showed a gain of 2.7%, representing a slowdown compared with 2018 (+5.9%).

The major European providers registered a generalised increase in en-route service units, albeit at a lower level than Italy, which posted the best performance, followed by Spain with +3.9%, Great Britain with +3.3%, France with +1.5% and Germany with +1.3%.

Total en-route traffic service units (**)	2019	2018	no.	Change %
	France	21,782,108	21,449,867	332,241
Germany	15,180,482	14,989,181	191,301	1.3%
Great Britain	12,593,899	12,194,153	399,746	3.3%
Spain	11,488,296	11,058,991	429,305	3.9%
Italy (***)	10,045,778	9,433,866	611,912	6.5%
EUROCONTROL	154,260,600	150,273,139	3,987,461	2.7%

(*) 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 2019 registered an increase of 6.5% 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 4.2% in the number of flights handled (+4.3% including the residual category *Exempt not reported to Eurocontrol*).

The factors contributing to the rise in traffic flows in domestic airspace included the consolidation of the Parent Company's implementation of the Free Route Project (an innovation that allows carriers with flights in transit through Italian airspace at an altitude of more than 9,000 metres to plan shorter flight paths without constraints, saving fuel and running costs, while still ensuring the highest levels of safety) and the replanning of European traffic on routes in Italian airspace, requested by the Eurocontrol Network Manager as a result of the saturation of capacity in a number of adjacent airspace sectors.

International air traffic connecting to European and to non-EU countries continued to increase, and there was renewed interest in domestic routes, especially those connecting the northern and southern parts of the country, which face less competition from high-speed rail. With regard to geographical areas that are

strategic for the expansion of traffic volumes in domestic airspace, north-western Europe (Spain, Germany, France, Great Britain, Switzerland and the Netherlands), the Mediterranean basin (Turkey, Greece, Israel, Egypt and Tunisia), which is especially busy in the summer season, and non-EU countries such as the United States, the United Arab Emirates and Russian continued to perform well. This increase in service units was achieved despite the incomplete reopening of Libyan airspace.

En-route traffic (number of flights)	2019	2018	no.	Change %
Domestic	293,753	289,422	4,331	1.5%
International	1,008,272	971,559	36,713	3.8%
Overflight	674,003	631,383	42,620	6.8%
Paying total	1,976,028	1,892,364	83,664	4.4%
Military	32,544	33,071	(527)	-1.6%
Other exempt	16,625	17,785	(1,160)	-6.5%
Total exempt	49,169	50,856	(1,687)	-3.3%
Total reported by Eurocontrol	2,025,197	1,943,220	81,977	4.2%
Exempt not reported to Eurocontrol	20,827	17,785	3,042	17.1%
Total	2,046,024	1,961,005	85,019	4.3%

En-route traffic (service units)	2019	2018	no.	Change %
Domestic	1,770,738	1,720,567	50,171	2.9%
International	4,078,394	3,857,879	220,515	5.7%
Overflight	4,061,356	3,715,143	346,213	9.3%
Paying total	9,910,488	9,293,589	616,899	6.6%
Military	122,763	127,207	(4,444)	-3.5%
Other exempt	12,527	13,070	(543)	-4.2%
Total exempt	135,290	140,277	(4,987)	-3.6%
Total reported by Eurocontrol	10,045,778	9,433,866	611,912	6.5%
Exempt not reported to Eurocontrol	2,605	2,446	159	6.5%
Total	10,048,383	9,436,312	612,071	6.5%

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, recorded gains both in terms of service units (+5.7%) and the number of flights handled (+3.8%) in 2019.

The expansion of international traffic, both in terms of service units and number of flights handled, was generated by the increase in longer (>700 km in domestic airspace) and medium-distance (between 350km-700km in domestic airspace) flights of about 9% and 6% respectively in terms of service units.

With regard to flight routes by continent, the strong performance of connections between Italy and the rest of Europe (+4.9% in SUs), representing about 78% of total international traffic service units, was confirmed during the period. Connections between Italy and Asia (+6.9% in SUs), representing about 10% of total service units, also increased, as did those between Italy and Africa (+15.2% in SUs), for around 6% of total international traffic service units. This was connected with a revival in traffic flows to Egypt. Connections between Italy and the American continent also increased (+8.7% in SUs), accounting for about 6% of international traffic service units;

- *commercial overflight traffic*, a category that includes flights that only cross through domestic airspace, recorded an increase in service units (+9.3%) and the number of flights handled (+6.8%) in 2019, consolidating the positive trend that began in 2018. This was due to the good performance of the intermediate flight segment (between 400-800 km in domestic airspace), which showed an increase of 12% in service units, representing expansion across all the major flight routes (intra-European, Europe-Asia and Asia-American continent), and longer-distance traffic (>800 km in domestic airspace), which rose by about 8% in terms of service units (intra-European and Europe-Asia flights).

A general analysis of departure/destination areas shows that connections between European countries performed well (+9.9% in SUs), representing about 55% of the total overflight traffic, as did Europe-Africa connections (+8.0% in SUs), representing around 23% of total service units, and Europe-Asia connections (+11.5% in SUs), and Europe and the American continent (+16.1% in SUs), representing 15% and 3% of total overflight service units;

- *domestic commercial traffic* posted an increase of 2.9% in service units and of 1.5% in the number of assisted flights in 2019. Traffic flows in the second half of 2019 (September-November) experienced a slowdown compared with traffic in the first half of 2019 due to the closure of the Milan Linate airport beginning on July 27 for three months of airport modernisation work. Driving the increase in this traffic segment was an increase in long-distance flights (>700 km in domestic airspace) that connect the northern and southern parts of the country, leading to an increase of 6.3% in service units and 6.1% in the number of flights handled. In particular, there was a significant increase in traffic along routes between the Milan Malpensa airport and major southern destinations such as Catania, Palermo, Lamezia, Bari and Brindisi;
- *exempt traffic* is divided into: i) *exempt traffic reported by Eurocontrol*, which decreased by 3.6% in terms of service units and by 3.3% in terms of the number of flights handled. The latter figure is mainly due to the decline in military activity by the Eurocontrol Member States; and ii) *exempt traffic not reported to Eurocontrol*, which accounts for only a residual proportion of revenues, posted an increase of 6.5% in service units and one of 17.1% in the number of assisted flights.

With regard to the traffic of carriers operating in domestic airspace, low-cost airlines continued to drive the expansion in air traffic in 2019, led by the performance of Ryanair (+7.2% in SUs), Easyjet (+8.7% in SUs),

Wizz Air (+12.9% in SUs), Volotea (+11.2% in SUs) and Aegean (+0.7% in SUs). Posting declines were Vueling (-0.7% in SUs) and Eurowings (-2.5% in SUs). Together these carriers represent about 32% of the total service units generated during 2019. There was an increase along Middle Eastern routes by traditional carriers, such as Turkish Airlines (+10.7% in SUs), Emirates (+4.8% in SUs) and Qatar Airways (+14.7% in SUs). Also registering increases were Air France (+8.9% in SUs) and, to a lesser extent, Lufthansa (+1.9% in SUs). Alitalia's activities were virtually unchanged, with an increase of 0.03% in service units.

Terminal traffic

In 2019, terminal traffic reported by Eurocontrol, which includes departures and arrivals within 20 km of the runway, grew by 3.5% in terms of service units and 2.8% in terms of the number of flights handled.

Terminal traffic (number of flights)		2019	2018	Change	
				no.	%
<i>Domestic</i>					
	Chg. Zone 1	49,759	50,373	(614)	-1.2%
	Chg. Zone 2	64,823	62,328	2,495	4.0%
	Chg. Zone 3	170,642	168,631	2,011	1.2%
	Total domestic flights	285,224	281,332	3,892	1.4%
<i>International</i>					
	Chg. Zone 1	105,067	103,347	1,720	1.7%
	Chg. Zone 2	189,353	183,888	5,465	3.0%
	Chg. Zone 3	207,020	196,156	10,864	5.5%
	Total international flights	501,440	483,391	18,049	3.7%
	Paying total	786,664	764,723	21,941	2.9%
<i>Exempt</i>					
	Chg. Zone 1	73	82	(9)	-11.0%
	Chg. Zone 2	868	882	(14)	-1.6%
	Chg. Zone 3	19,885	20,111	(226)	-1.1%
	Total exempt flights	20,826	21,075	(249)	-1.2%
	Total reported by Eurocontrol	807,490	785,798	21,692	2.8%
<i>Exempt not reported to Eurocontrol</i>					
	Chg. Zone 1	2	0	2	n.a.
	Chg. Zone 2	255	423	(168)	-39.7%
	Chg. Zone 3	11,411	10,307	1,104	10.7%
	Total exempt flights not reported to Eurocontrol	11,668	10,730	938	8.7%
Total by Chg. Zone					
	Chg. Zone 1	154,901	153,802	1,099	0.7%
	Chg. Zone 2	255,299	247,521	7,778	3.1%
	Chg. Zone 3	408,958	395,205	13,753	3.5%
	Total	819,158	796,528	22,630	2.8%

Terminal traffic (service units)		2019	2018	Change	
				no.	%
<i>Domestic</i>					
	Chg. Zone 1	62,175	62,932	(757)	-1.2%
	Chg. Zone 2	77,014	73,932	3,082	4.2%
	Chg. Zone 3	194,273	192,149	2,124	1.1%
	Total domestic SUs	333,462	329,013	4,449	1.4%
<i>International</i>					
	Chg. Zone 1	171,323	166,878	4,445	2.7%
	Chg. Zone 2	267,167	256,016	11,151	4.4%
	Chg. Zone 3	237,433	221,941	15,492	7.0%
	Total international SUs	675,923	644,835	31,088	4.8%
Paying total		1,009,385	973,848	35,537	3.6%
<i>Exempt</i>					
	Chg. Zone 1	132	182	(50)	-27.5%
	Chg. Zone 2	392	388	4	1.0%
	Chg. Zone 3	7,489	8,302	(813)	-9.8%
	Total exempt SUs	8,013	8,872	(859)	-9.7%
Total reported by Eurocontrol		1,017,398	982,720	34,678	3.5%
<i>Exempt not reported to Eurocontrol</i>					
	Chg. Zone 1	0	0	0	0.0%
	Chg. Zone 2	21	37	(16)	-43.2%
	Chg. Zone 3	912	813	99	12.2%
Total exempt SUs not reported to Eurocontrol		933	850	83	9.8%
Total by Charging Zone					
	Chg. Zone 1	233,630	229,992	3,638	1.6%
	Chg. Zone 2	344,594	330,373	14,221	4.3%
	Chg. Zone 3	440,107	423,205	16,902	4.0%
Total		1,018,331	983,570	34,761	3.5%

Overall, the performance for 2019 compared with the previous year shows growth in international traffic for all three charging zones, both in terms of service units and number of assisted flights, while domestic traffic only increased for Charging Zones 1 and 2. In particular:

- Charging Zone 1, represented by Rome Fiumicino airport, posted an increase of 1.6% in terms of service units and 0.7% in the number of assisted flights, thanks to the good performance of international traffic, which posted a gain of 2.7% in terms of service units, mainly boosted by the non-EU component (+5.8%). By contrast, national traffic contracted by 1.2% in terms of service units and in the number of assisted flights, reflecting the decline in the operations of carriers such as Blue Air, Blue Panorama and Vueling. This airport, which is especially impacted by the flight activities of Alitalia, which accounted for about 41% of service units, benefited from the revival in Alitalia operations, which posted a gain of 1.5% in terms of service units and 1.1% in number of flights handled;

- 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 (+4.3%) and assisted flights (+3.1%) in 2019, thanks above all to the performance of the airports of Milan Malpensa (+16.3% in SUs), Bergamo Orio al Serio (+6.6% in SUs) and Venice Tessera (+1.4% in SUs). The figures for Milan Malpensa and Milan Linate, which showed a contraction, were affected by the closure of Milan Linate airport beginning on 27 July 2019 for three months of modernisation works and the consequent transfer of air traffic to Milan Malpensa airport. This zone is less affected by the operations of Alitalia, which accounts for 12% of service units;
- Charging Zone 3 registered gains in both service units (+4.0%) and number of assisted flights (+3.5%). These results reflect the good performance of the main airports present in this charging zone, including the airports of Bologna (+8.5% in SUs), Naples (+7.9% in SUs), Catania (+2.0% in SUs), Palermo (+5.9% in SUs), Cagliari (+12.3% in SUs) and Bari (+9.2% in SUs), which saw the volume of both national and international traffic increase. The operations of Alitalia were broadly unchanged with increases of 0.3% in both service units and the number of assisted flights, with a relatively small impact, considering that Alitalia accounts for about 13% 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, achieving increases in service units and number of assisted flights of 4.8% and 3.7%, respectively. The increase in this type of traffic is attributable in particular to the results achieved in the second and third charging zones, equal respectively to increases of 4.4% and 3.7% in terms of service units, with an especially sharp rise in traffic to non-EU destinations (+8% in SUs).

The domestic traffic component boasted an increase of 1.4% in both service units and the number of assisted flights, a strong showing despite the temporary closure of the Milan Linate airport, which is specialized in national traffic.

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, which was reorganised in 2019 to increase its independence in managing safety event investigations, 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 2015-2018, while the initial phase of the monitoring and assessment process has begun for 2019.

With regard to the safety performance in 2018, 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 are equal to or greater than the specified targets.

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

❖ **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 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).

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 are equal to or greater than the minimum targets.

Safety occurrence	2018 results	Minimum Target 2018
Analysis of ATM contribution to SMI	99%	80%
Analysis of ATM contribution to RIN	100%	80%
ASO analysis	100%	80%

❖ **Level of presence/absence of a just culture**, an indicator that measures the presence or absence of “just culture” principles on the basis of the percentage of positive answers to the questions of a specific questionnaire created by the European Aviation Safety Agency for the European Commission. The minimum target is 50% positive responses. In 2018, ENAV was easily compliant with the target, achieving 87.5% positive replies.

Finally, work continued on the improvement initiatives outlined in the 2018-2022 Safety Plan, with the aim of implementing the necessary measures to maintain or achieve the safety targets and further improve safety management as a whole.

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 2019 the Parent Company achieved an excellent level of performance. The 1.83 million IFR (Instrumental Flight Rules) flights assisted by ENAV, which followed GAT (General Aviation Traffic) rules, during en-route flight generated 38,383 minutes of delay attributable to Air Traffic Flow Management (ATFM), with an en-route delay per assisted flight of 0.021 minutes. This figure, about one-fifth the target set by the European Commission for 2019 (0.11 minutes/flight), is even more impressive in the light of the significant increase in the number of flights assisted during 2019, equal to an average increase of 4.3%, with a peak of 8.15% in June and 5.79% in June compared with the same months of 2018.

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 significant savings for carriers.

The following table shows a comparison between the targets set in the Performance Plan and results achieved in 2019.

Capacity En-route - Targets vs Actual Performance 2019		
	IFR/GAT Flights	En-route Service Units
	1,833,337	10,045,778
	<i>Performance Plan target</i>	<i>Actual performance</i>
En-route ATFM Delay per Flight	0.11	0.021
En-route ATFM Minutes of Delay (Min)	201,667	38,383

Even with regard to delays incurred by arriving flights (so-called airport capacity), measured at the five airports covered by the Performance Plan (Rome Fiumicino, Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio), in 2019 ENAV out-performed the Performance Plan targets (0.001 minutes/flight, compared with the expected 0.02 minutes/flight) for the “due to ATM” indicator (i.e. attributable to ENAV). 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 2019		
	Performance Plan target	Actual performance
Terminal Arrival ATFM	no more than 0.41 (minutes per assisted flight)	0.28
Terminal Arrival ATFM due to ATM	no more than 0.02 (minutes per assisted flight)	0,00

Performance and financial position of the ENAV Group

Definition of alternative performance measures

In order to illustrate the performance and financial position of the ENAV Group and of the Parent Company, separate reclassified schedules have been prepared that differ from the schedules envisaged under international accounting standards and adopted by the Group and the Parent Company for use in the consolidated financial statements and separate financial statements respectively. These reclassified schedules contain alternative performance indicators differing from those drawn directly from the financial statements, which are used by management for monitoring the performance of the Group and the Parent Company and representing the performance and financial results produced by the business.

The use of alternative performance indicators in the context of regulated information disclosed to the public was made mandatory with Consob Communication no. 0092543 of 3 December 2015, which

transposed the guidelines (no. 2015/1415) issued on 5 October 2015 by the European Securities and Markets Authority (ESMA). The indicators are intended to ensure the comparability, reliability and understanding of financial information.

These indicators were constructed on the basis of the following criteria:

- **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 fixed 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/liabilities;
- **Net financial position:** 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 2019 the scope of consolidation changed as a result of the following operations:

- ✓ a reduction in the interest held in D-Flight S.p.A. to 60% as from 28 February 2019, following the entry as a shareholder of UTM Systems & Services S.r.l., which subscribed the capital increase with share

premium in accordance with the obligations assumed during the tender to acquire 40% of D-Flight S.p.A.;

- ✓ the inclusion in the scope of consolidation from 18 July 2019 of IDS AirNav S.r.l. following the acquisition of 100% of its share capital by the Parent Company. On 28 June 2019, with effect from 2 July 2019, IDS - Ingegneria dei Sistemi S.p.A. transferred its Air Navigation Division to IDS AirNav.

Reclassified consolidated income statement

The ENAV Group closed 2019 with a net profit attributable to the shareholders of the Parent Company of €118.4 million, an increase of 3.5% compared with the previous year, when it amounted to €114.4 million. This result reflected an increase in revenues of 1.5%, linked to the good performance of both en-route and terminal air traffic, which largely offset the increase in personnel costs that was mainly associated with the effects of the summer season agreement signed with the trade unions in order to take the actions necessary to manage the increase in air traffic while guaranteeing full safety and on-time performance. The tight control maintained over operating costs, which fell by 5.6%, and the performance contributed by IDS AirNav, positively influenced EBITDA, which increased by 1.8%. Accompanied by the decrease in writedowns of receivables during the year, this offset the deterioration in the performance of finance operations, which the previous year had benefited from interest income recognized following a judgment of the Court of Appeal relating to a dispute with a management company.

	2019	2018	Amount	Change %
Revenues from operations	951,767	924,585	27,182	2.9%
Balance	(86,975)	(80,687)	(6,288)	7.8%
Other operating income	38,099	45,842	(7,743)	-16.9%
Total revenues	902,891	889,740	13,151	1.5%
Personnel costs	(497,118)	(481,356)	(15,762)	3.3%
Capitalised costs	31,262	31,101	161	0.5%
Other operating expenses	(134,164)	(142,104)	7,940	-5.6%
Total operating costs	(600,020)	(592,359)	(7,661)	1.3%
EBITDA	302,871	297,381	5,490	1.8%
EBITDA margin	33.5%	33.4%	0.1%	
Net amortisation of investment grants	(130,462)	(128,731)	(1,731)	1.3%
Writedowns, impairment (reversal of impairment) and provisions	(1,822)	(4,259)	2,437	-57.2%
EBIT	170,587	164,391	6,196	3.8%
EBIT margin	18.9%	18.5%	0.4%	
Financial income/(expense)	(4,618)	(3,192)	(1,426)	44.7%
Income before taxes	165,969	161,199	4,770	3.0%
Income taxes	(47,700)	(46,809)	(891)	1.9%
Profit (loss) for the year	118,269	114,390	3,879	3.4%
Net profit/(loss) pertaining to shareholders of the Parent Company	118,433	114,390	4,043	3.5%
Net profit/(loss) pertaining to non-controlling interests	(164)	0	(164)	n.a

(thousands of euros)

Analysis of revenues

Revenues from operations amounted to €951.8 million, an increase of 2.9% compared with the previous year. They consisted of €932.6 million in revenues from the Parent company's core business (+2.4% compared with 2018) and €19.2 million in revenues for activities carried out by the Group on the non-regulated market, an increase of 42.1% on 2018, reflecting the contribution of IDS AirNav.

Revenues from the core business include en-route revenues of €689.4 million, up 2.1% on the previous year, attributable to the 6.6% rise in service units generated during the period, involving all three types of air traffic. This increase made it possible to offset the 2.5% reduction in the charge for 2019 (€77.96 in 2019 vs €79.98 in 2018), or a 4% reduction if we consider only charges excluding balances.

Commercial terminal revenues amounted to €231.1 million, up 3.8% compared with 2018, due to the increase of 3.6% in service units generated at individual airports broken down by charging zones, offsetting the reduction in the terminal charges applied in Charging Zones 2 and 3. In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted an increase in assisted air traffic, expressed in service units, of 1.6% compared with 2018, with positive performance seen in international traffic and an increase in the terminal charge for 2019 of 1.81% (€190.69 compared with €187.30). *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 4.3% compared with 2018, with growth in both domestic and international traffic, offsetting the reduction of 2.71% in the terminal charge for 2019 to €197.56 (€203.06 in 2018). *Charging Zone 3*, which comprises 40 medium- and low-traffic airports recorded an increase in assisted air traffic, expressed in service units, of 4.0%, with positive performance in both domestic and international traffic, which offset the 0.37% reduction in the terminal charge for 2019 to €318.98 (€320.18 in 2018).

Revenues from the 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 €12.1 million, a decrease of 7.4% compared with 2018, due to the decline in service units handled during the year.

Revenues from the non-regulated market amounted to €19.2 million, an increase of 42.1% compared with the previous year that was attributable to the revenues contributed by the subsidiary IDS AirNav S.r.l. in the amount of €10 million following its consolidation as from 18 July 2019. These revenues mainly refer to the sale of software licenses in the amount of €2.6 million and to software maintenance and the provision of services to customers around the world in the total amount of €7.4 million. More specifically, they regard the FPDAM software product for the design of flight procedures, the AIM product for the management of aeronautical information, the IAS product, which provides an infrastructure to support the collection, management and distribution of aeronautical data and the production of charts, and Air Space Design, a tool that reduces the time required to design airspace. The main orders include the new Ndola airport in Zambia, services provided to the Swedish service provider LFV and the German service provider DFS and licenses for the design of FPDAM flight procedures sold to the Russian company Azimuth.

The adjustment component for balances, an integral part of revenues from operations, had a negative impact of €86.9 million on revenues, €6.3 million more than in the previous year, reflecting a decrease in positive balances recorded during the year and an increase of €3.9 million in negative balances, attributable for the balance for inflation (with actual inflation of 0.6% compared with the 1.6% forecast in the Performance Plan) and a negative balance for traffic risk in Charging Zone 2, with reimbursements to carriers totalling €7.7 million (an increase of €1.9 million on 2018) owing to an increase of 9.41% in assisted air traffic over the level forecast in the Performance Plan and the increase of €56.9 million in balances recorded in previous years and incorporated in the 2019 charge and, therefore, in profit or loss, €1.7 million more than in 2018.

Other operating income amounted to €38 million, a decrease of 16.9% compared with 2018, which had benefitted from the recognition in profit or loss of the accrued share of European funding attributable to the Group in the amount of €9.7 million, compared with €4.9 million in 2019, and the effect of the settlement of outstanding disputes with a number of suppliers.

Analysis of costs

Operating costs totalled €600 million, an increase of 1.3%. The various components of the item displayed divergent trends, with personnel costs rising by 3.3%, other operating costs declining by 5.6% (-8.6% on a like-for-like comparison with 2018) and revenues from capitalised costs rising by 0.5%, benefitting from activities performed in connection with investment projects of IDS AirNav.

Personnel costs totalled €497.1 million, an increase of €15.8 million compared with 2018, reflecting the effects of the Parent Company's contract renewal, the harmonisation of the collective bargaining agreement at the Techno Sky subsidiary with the collective bargaining agreement for the air transport sector with effect as of 1 January 2019 and of the agreement for the 2019 summer season signed with the trade unions in April 2019 in order to ensure the management of activities in the June-September period to handle the increase in traffic. Part of the increase, equal to €3.7 million, is due to the change in the scope of consolidation, which incorporated the personnel costs of IDS AirNav for 146 employees in effective terms and 68 on average at 31 December 2019.

<i>(Thousands of euros)</i>	2019	2018	Change	%
Wages and salaries, of which:				
fixed remuneration	280,737	278,010	2,727	1.0%
variable remuneration	73,235	61,431	11,804	19.2%
Total wages and salaries	353,972	339,441	14,531	4.3%
Social security contributions	113,364	108,643	4,721	4.3%
Severance pay	23,295	22,380	915	4.1%
Other costs	6,487	10,892	(4,405)	-40.4%
Total personnel costs	497,118	481,356	15,762	3.3%

More specifically, fixed remuneration increased by a net 1%, reflecting the higher costs associated with the renewal of the collective bargaining agreement of the Parent Company, the harmonization of the collective bargaining agreement of Techno Sky and the personnel costs of IDS AirNav, partially offset by the reduction Group personnel by 102 in average terms and 65 in effective terms, excluding IDS AirNav personnel. The workforce at the end of 2019 numbered 4,195 in effective terms and 4,148 on average. Including the personnel of the subsidiary IDS AirNav, the workforce expanded by 81 in effective terms and decreased by 34 on average. Variable remuneration showed a net increase of 19.2%, reflecting not only the effects of the 2019 summer season agreement, but also the increase in overtime by ATC staff connected with the greater volume of air traffic handled during the year, the longer hours worked by Techno Sky's technical staff, the increase in costs connected with indemnities for holidays falling on non-business days, reflecting calendar effects, and the increase in costs for holiday entitlement accrued and not taken owing to a decline in the use of that entitlement for holidays.

Social security contributions increased by 4.3% as a consequence of wage increases connected with the factors mentioned previously, while other personnel costs fell by 40.4% due to the decrease in the cost of early retirement incentives for employees.

Other operating expenses show a net decrease of 5.6% compared with 2018, reflecting a generalised decline in various cost items, despite the presence of costs incurred in 2019 for services related to extraordinary activities. The decreases included a reduction in maintenance costs (-14.3%) in respect of Techno Sky projects, due to the decline in activities on the foreign market, while the favourable settlement of a dispute generated a positive effect of €1.3 million. Costs for utilities and telecommunications also declined (-8.4%) due to the reduction in costs associated with the E-NET1 network and the lower costs for utilities, which benefited from the cancellation of debtor positions and the settlement of a dispute with a supplier for total of €1.5 million. There was also a 52.8% reduction in costs for leases and rentals, which was mainly attributable to the application of IFRS 16 starting 1 January 2019, and a reduction in costs thanks to the cancellation of debtor positions no longer due in the amount of about €1 million. Another factor was the reduction of €1 million in losses on receivables in 2019 compared with 2018.

Margins

These figures positively impacted **EBITDA**, generating an increase of 1.8% compared with 2018, reaching €302.9 million with an EBITDA margin of 33.5%.

Depreciation and amortization, net of investment grants, increased by 1.3%, mainly reflecting an increase in amortization of intangible assets associated with the allocation of the purchase price of IDS AirNav for a total of €1.2 million. Writedowns and provisions were a negative €1.8 million, an improvement of €2.4 million compared with 2018, reflecting a decrease in writedowns of receivables, which the previous year had included the 50% writedown of Alitalia's terminal receivable and the use of risk provisions following the settlement of a number of disputes. These values had an impact on the determination of **EBIT**, which amounted to €170.6 million, an increase of 3.8% compared with the previous year.

Financial income and expense shows net expense of €4.6 million, up €1.4 million compared with the previous year, reflecting both a decrease in financial income from the discounting of balances, which amounted to €0.2 million (€1 million in 2018) and the reduction in interest income, which amounted to €1 million (€2.4 million in 2018), attributable to the recognition of the legal interest income received following the lien established by order of the Court of Appeal.

Income taxes for the year pertaining to shareholders of the Parent Company amounted to €47.7 million, an increase of 1.9% compared with the previous year, with a tax rate of 24% - equal to the theoretical rate - an increase compared with 2018, which benefited from the use of taxed provisions (19.2% in 2018).

As a result of the foregoing, **net profit for the year** attributable to the shareholders of the Parent Company came to €118.4 million, an increase of 3.5% compared with 2018. The portion of the net result attributable to non-controlling shareholders, which took a stake in D-Flight in late February 2019, was a negative €0.2 million.

Reclassified statement of financial position

	31.12.2019	31.12.2018	Change	
Property, plant and equipment	976,272	1,000,063	(23,791)	-2.4%
Right-of-use assets	8,857	0	8,857	n.a.
Intangible assets	171,567	122,368	49,199	40.2%
Investments in other entities	63,225	60,306	2,919	4.8%
Non-current trade receivables and payables	(39,804)	(16,394)	(23,410)	142.8%
Other non-current assets and liabilities	(124,343)	(113,258)	(11,085)	9.8%
Net non-current assets	1,055,774	1,053,085	2,689	0.3%
Inventories	60,690	61,001	(311)	-0.5%
Trade receivables	213,321	268,076	(54,755)	-20.4%
Trade payables	(138,754)	(126,122)	(12,632)	10.0%
Other current assets and liabilities	(115,855)	(74,714)	(41,141)	55.1%
Assets held for sale net of related liabilities	1,402	1,458	(56)	-3.8%
Net working capital	20,804	129,699	(108,895)	-84.0%
Gross capital employed	1,076,578	1,182,784	(106,206)	-9.0%
Employee benefit provisions	(52,509)	(52,280)	(229)	0.4%
Provisions for risks and charges	(1,778)	(2,707)	929	-34.3%
Deferred tax assets net of liabilities	7,376	11,720	(4,344)	-37.1%
Net capital employed	1,029,667	1,139,517	(109,850)	-9.6%
Equity pertaining to shareholders of the Parent Company	1,153,543	1,137,559	15,984	1.4%
Non-controlling interests	2,500	0	2,500	n.a.
Shareholders' equity	1,156,043	1,137,559	18,484	1.6%
Net financial debt	(126,376)	1,958	(128,334)	n.a.
Total funding	1,029,667	1,139,517	(109,850)	-9.6%

Thousands of euros

Net capital employed amounted to €1,029.7 million at 31 December 2019, a decrease of €109.8 million compared with 31 December 2018, and is entirely funded by equity attributable to the shareholders of the Parent Company and non-controlling interests amounting to €1,156 million.

The net non-current assets of the ENAV Group amounted to €1,055.7 million, an increase of €2.7 million compared with 31 December 2018, mainly due to: i) a decrease of €23.8 million in property, plant and equipment as a result of the recognition of higher depreciation on investments under construction during the year; ii) the recognition of right-of-use assets following the application from 1 January 2019 of IFRS 16, which amounted to €8.9 million net of the depreciation charge for 2019 of €2.3 million; iii) an increase in intangible assets of €49.2 million, mainly reflecting the provisional allocation of the purchase price of IDS AirNav, which was consolidated with effect from 18 July 2019; iv) an increase in the value of investments in other entities amounting to €2.9 million, due to both the adjustment of the value of the interest in Aireon to its fair value and to developments in the dollar/euro exchange rate; v) a decrease of €23.4 million in non-current trade receivables and payables associated with negative balance liabilities that emerged in 2019

and the reduction in balance receivables; vi) the change of €11.1 million in other non-current assets and liabilities, which primarily reflected a reduction in receivables due from government entities in respect of capital grants, reflecting the reclassification of €5.8 million to current assets, and an increase in deferred income on projects related to investments financed under the Connecting Europe Facility (CEF).

Net working capital amounted to €20.8 million, a decrease of €108.9 million compared with 31 December 2018. The main changes concerned: i) a decrease of €54.8 million in trade receivables, mainly owing to the decline in balance receivables related to the reversal to profit or loss of the portion pertaining to 2019 and included in charges for the same period, net of amounts classified in current receivables and subject to inclusion in charges in 2020; ii) an increase of €12.6 million in trade payables as the concentration of invoicing in the final months of the year produced a reduction in payments; iii) a change in other current assets and liabilities, which resulted in a net increase in liabilities of €41.1 million as a result of the decline of €7 million in tax receivables following the collection of the VAT credit for which reimbursement had been requested, a reduction in receivables for projects financed following the receipt of the interim payment for the 2014 and 2015 call of the CEF in the total amount of €15.5 million and an increase in liabilities in respect of the Italian Air Force and ENAC corresponding to their share of en-route and terminal collections.

Net capital employed also reflected the employee benefit provision in the amount of a negative €52.5 million, broadly in line with the previous year, provisions for risks and charges of €1.8 million, which decreased during the year due to the favourable settlement of a number of disputes with employees, and deferred tax assets and liabilities in the net positive amount of €7.4 million, a net decrease of €4.3 million, mainly due to the recognition of deferred tax liabilities connected with the allocation of the purchase price of IDS AirNav.

Shareholders' equity amounted to €1,156 million, a net increase of €18.5 million compared with 31 December 2018. Of the total increase, €4 million reflected the rise in consolidated net profit for 2019, which amounted to €118.3 million, the reserve from the fair value adjustment of the investment in Aireon in the amount of €1.5 million net of tax effects, the reserve from the translation into euros of the financial statements of foreign subsidiaries in the amount of €1.1 million, the entry of UTM System & Services S.r.l. as a shareholder of D-Flight as from 28 February 2019 by way of participation in a capital increase with share premium in execution of the obligations assumed under the framework agreement in the total amount of €6.6 million, thereby acquiring an interest of 40%.

The net financial position at 31 December 2019 showed a net cash position of €126.4 million, an improvement of €128.3 million on 31 December 2018.

	31.12.2019	31.12.2018	Change	
Cash and cash equivalents	449,268	316,311	132,957	42.0%
Current financial receivables	24,977	9,007	15,970	177.3%
Current financial debt	(15,058)	(14,924)	(134)	0.9%
Current lease liabilities ex IFRS 16	(2,112)	0	(2,112)	n.a.
Net current financial position	457,075	310,394	146,681	47.3%
Non-current financial receivables	85	24,901	(24,816)	-99.7%
Non-current financial debt	(323,713)	(337,253)	13,540	-4.0%
Non-current lease liabilities ex IFRS 16	(7,071)	0	(7,071)	n.a.
Non-current financial debt	(330,699)	(312,352)	(18,347)	5.9%
Net financial position	126,376	(1,958)	128,334	n.a.

(thousands of euros)

The improvement of €128.3 million in the net financial position reflected developments in receipts and payments connected with ordinary operations, which generated a positive cash flow, as well as the collection of grants for projects financed under 2014 – 2020 NOP at the European level totalling €31.3 million, the collection of the VAT receivable in the amount of €7 million and the liquidity contributed by D-Flight of €5.5 million. The financial position was adversely affected by the payment of dividends of €108 million, the payment to the Ministry for the Economy and Finance (MEF) of €52 million as the net amount between the debt for en-route receipts and the receivable represented by exempt flights, the payment of €23.2 million to the Italian Air Force and ENAC for the portion of core business collections pertaining to them, and the purchase of IDS AirNav for €37.9 million in compliance with the agreement between the parties.

Consolidated statement of cash flows

<i>(thousands of euros)</i>	2019	2018	Change
Cash flow generated/(absorbed) by operating activities	341,633	308,047	33,586
Cash flow generated/(absorbed) by investing activities	(93,067)	(120,745)	27,678
Cash flow generated/(absorbed) by financing activities	(115,686)	(133,928)	18,242
Cash flow for the year	132,880	53,374	79,506
Cash and cash equivalents at the beginning of the year (*)	317,716	264,275	53,441
Exchange rate difference on cash	61	67	(6)
Cash and cash equivalents at end of the year (*)	450,657	317,716	132,941
Free cash flow	248,566	187,302	61,264

Cash flows from operating activities generated at 31 December 2019 amounted to €341.6 million, up €33.6 million on the previous year. This positive flow reflected a series of factors, including: i) the reduction of current and non-current trade receivables mainly attributable to the decrease in the receivable for balances following the recognition in profit or loss of the accrued share, which was incorporated in charges for 2019 but not offset by new receivables; ii) a decrease in tax receivables following the collection of the

VAT reimbursement of €7 million and the increase in tax payables in respect of IRES (corporate income tax) compared with 2018; iii) the change in other current and non-current assets and liabilities, which generated a positive €30.9 million as a result of the reduction in other assets connected with the collection of funds for projects financed under NOPs and European projects, primarily the Connecting Europe Facility (CEF), in addition to an increase in other liabilities in respect of the debt to the Italian Air Force and ENAC for the en-route and terminal collections pertaining to them. The previous year had registered 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; iv) the net decline of €27.6 million in current and non-current trade payables, reflecting an increase in payables for balances as a result of new positions arising for 2019 and a decrease in payables to suppliers for operating activities, net of the change in payables to suppliers for investment activities, thanks in part to the settlement of a number of positions regarding previous years that are considered no longer due; and v) the increase of €3.9 million in profit for the year.

Cash flows from investing activities at 31 December 2019 absorbed cash in the amount of €93.1 million euro, down €27.7 million compared with the figure at 31 December 2018. The change, with capital expenditure of €116.3 million, essentially unchanged compared with the previous year, mainly reflects a decrease in payments to suppliers for investment projects carried out during the year, due in part to the concentration of activities in the final months of the year. Part of the liquidity absorbed in 2019 refers to the acquisition of 100% of IDS AirNav for a total price of €41.1 million, of which €3.2 million still to be disbursed under the terms of the agreement between the parties. By contrast, liquidity was generated by the expiry of a one-year time deposit of €9 million, which was subscribed the previous year together with the investment in two government securities (BTPs) that had absorbed cash amounting to €33.9 million.

Cash flow from financing activities absorbed cash in the amount of €115.7 million, a decrease of €18.2 million compared with 31 December 2018. This change is attributable to repayments of loans, which reduced cash outflows by €15.6 million following the extinguishment of two loans at the end of 2018 and the liquidity generated by the payment of share capital with share premium by UTM System & Services Srl for the stake in D-Flight, in fulfilment of the obligations assumed under the terms of the framework agreement for a total of €6.6 million. These effects were partially offset by the increase of €7 million in the dividend paid in 2019 and payments of €2.1 million in respect of the financial liability recognized in accordance with IFRS 16.

Free cash flow amounted to €248.6 million, an increase of €61.3 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 2019 with a net profit of €111.9 million, an increase of 8.7% compared with the previous year, when net profit amounted to €102.9 million.

	2019	2018	Amount	Change %
Revenues from operations	937,890	917,116	20,774	2.3%
Balances	(86,975)	(80,687)	(6,288)	7.8%
Other operating income	39,838	47,018	(7,180)	-15.3%
Total revenues	890,753	883,447	7,306	0.8%
Personnel costs	(430,739)	(421,176)	(9,563)	2.3%
Capitalised costs	7,783	7,449	334	4.5%
Other operating expenses	(188,809)	(186,382)	(2,427)	1.3%
Total operating costs	(611,765)	(600,109)	(11,656)	1.9%
EBITDA	278,988	283,338	(4,350)	-1.5%
EBITDA margin	31.3%	32.1%	-0.8%	
Net amortisation of investment grants	(130,609)	(131,232)	623	-0.5%
Writedowns, impairment (reversal of impairment) and provisions	(1,517)	(4,154)	2,637	-63.5%
EBIT	146,862	147,952	(1,090)	-0.7%
EBIT margin	16.5%	16.7%	-0.2%	
Financial income/(expense)	6,376	(3,134)	9,510	n.a.
Income before taxes	153,238	144,818	8,420	5.8%
Income taxes	(41,357)	(41,883)	526	-1.3%
Profit (loss) for the year	111,881	102,935	8,946	8.7%

(thousands of euros)

Revenues from operations amounted to €937.9 million, an increase of 2.3% compared with the previous year, mainly reflecting the increase in revenues from the core business in 2019. More specifically, en-route revenues amounted to €689.4 million, up 2.1% on the previous year, attributable to the 6.6% rise in service units generated during the period, involving all three types of air traffic. This increase made it possible to offset the 2.5% reduction in the charge for 2019 (€77.96 in 2019 vs €79.98 in 2018), or a 4% reduction if we consider only charges excluding balances.

Commercial terminal revenues amounted to €231.1 million, up 3.8% compared with 2018, due to the increase of 3.6% in service units generated at individual airports broken down by charging zones, offsetting the reduction in the terminal charges applied in Charging Zones 2 and 3. In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted an increase in assisted air traffic, expressed in service units, of 1.6% compared with 2018, with positive performance seen in international traffic and an increase in the terminal charge for 2019 of 1.81% (€190.69 compared with €187.30). *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 4.3% compared with 2018, with growth in both domestic and international traffic, offsetting the reduction of 2.71% in the terminal charge for 2019 to €197.56 (€203.06 in 2018). *Charging Zone 3*, which comprises 40 medium- and low-traffic airports recorded an increase in assisted air traffic, expressed in service units, of 4.0%, with positive performance in both domestic and international traffic, which offset the 0.37% reduction in the terminal charge for 2019 to €318.98 (€320.18 in 2018).

Revenues for flights exempt from en-route and terminal charges, the fees for which are borne by the Ministry for the Economy and Finance, amounted to €12.1 million, a decrease of 7.4% compared with 2018, due to the decline in service units handled during the year.

Revenues from the non-regulated market amounted to €5.3 million, down 12% on the previous year, mainly reflecting the completion of a number of projects on the international market, including the restructuring of the airspace of the United Arab Emirates.

The adjustment component for balances, an integral part of revenues from operations, had a negative impact of €86.9 million on revenues, €6.3 million more than in the previous year, reflecting a decrease in positive balances recorded during the year and an increase of €3.9 million in negative balances, attributable for the balance for inflation (with actual inflation of 0.6% compared with the 1.6% forecast in the Performance Plan) and a negative balance for traffic risk in Charging Zone 2, with reimbursements to carriers totalling €7.7 million (an increase of €1.9 million on 2018) owing to an increase of 9.41% in assisted air traffic over the level forecast in the Performance Plan and the increase of €56.9 million in balances recorded in previous years and incorporated in the 2019 charge and, therefore, in profit or loss, €1.7 million more than in 2018.

Other operating income amounted to €39.8 million, down 15.3% on 2018 in reflection of a decrease in revenues from European financing, which in 2018 included amounts in respect of projects under the Connecting Europe Facility (CEF) for 2014 and 2015, and a decrease in other revenues, which in 2018 had included the capital gain realized on the sale of the Academy complex in Forlì for €0.7 million and the effects associated with the amicable settlement of outstanding disputes with a number of suppliers.

Operating costs amount totalled €611.8 million, a net increase of 1.9% compared with the previous year, reflecting an increase of 2.3% in personnel costs and one of 1.3% in operating costs, while capitalised costs were broadly unchanged.

With regard to **personnel costs**, which amounted to €430.7 million, fixed remuneration declined by €1.1 million compared with 2018 despite the effects of the contract renewal for 2017-2019 period and the ordinary increase in remuneration under automatic contractual provisions, benefiting from a decrease of 56 in the average workforce. Variable remuneration showed a net increase of 21.7%, reflecting the effects of the 2019 summer season agreement, the increase in overtime work connected with the greater volume of air traffic handled during the year and the increase in costs connected with indemnities for holidays falling on non-business days, reflecting calendar effects.

Social security contributions increased by 2.7% as a consequence of wage increases connected with the factors mentioned previously, while other personnel costs fell by 42.2% due to the decrease in the cost of early retirement incentives for employees, which involved 15 employees compared with 43 in 2018.

Other operating expenses show a net increase of 1.3% on 2018, mainly due to the higher maintenance costs connected with the new four-year contract with the subsidiary Techno Sky for the technical management and maintenance of the equipment and systems associated with air navigation services and non-operational services, which envisages an increase in the activities covered by the contract and the alignment of prices and fees with market rates. Costs for utilities and telecommunications also declined (-8.5%) due to the reduction in costs associated with data connections of the E-NET1 network and the lower costs for utilities, which benefited from the cancellation of debtor positions and the settlement of a dispute with a supplier, which had a positive impact of €1.5 million. There was also a 49.2% reduction in costs for leases and rentals compared with 2018, which was attributable to the application of IFRS 16 starting 1 January 2019.

These figures adversely impacted **EBITDA**, generating a decrease of 1.5% compared with 2018, reaching €278.9 million with an EBITDA margin of 31.3%.

EBIT amounted to €146.9 million, a decrease of 0.7% compared with the previous year (€147.9 million). Depreciation and amortisation amounted to €130.6 million, net of investment grants, slightly down on 2018, while writedowns of receivables and the use of provisions for risks totalled €1.5 million, a decrease of €2.6 million on the previous year in reflection of a decrease in writedowns of receivables. The EBIT margin at the end of 2019 was 16.5%.

Financial income and expense show net income of €6.4 million, a marked improvement on the previous year, reflecting the dividend of €10.8 million authorised by the shareholders' meeting of the subsidiary Techno Sky called to approve the financial statements for 2018.

Income taxes for the year amounted to €41.4 million, a decrease of 1.3% compared with the previous year, reflecting among other things the tax exemption for 95% of the dividend. The IRES tax rate was 22.2%, an increase on the 18.5% registered in 2018, which benefited from the use of taxed provisions.

As a result of the foregoing, net profit for the year came to €111.9 million.

Reclassified statement of financial position

	31.12.2019	31.12.2018	Change	
Property, plant and equipment	996,250	1,020,987	(24,737)	-2.4%
Right-of-use assets	2,458	0	2,458	n.a.
Intangible assets	58,737	55,797	2,940	5.3%
Investments in other entities	188,247	147,121	41,126	28.0%
Non-current trade receivables and payables	(39,630)	(16,394)	(23,236)	141.7%
Other non-current assets and liabilities	(137,042)	(127,212)	(9,830)	7.7%
Net non-current assets	1,069,020	1,080,299	(11,279)	-1.0%
Inventories	60,681	60,983	(302)	-0.5%
Trade receivables	199,676	264,341	(64,665)	-24.5%
Trade payables	(129,340)	(120,319)	(9,021)	7.5%
Other current assets and liabilities	(147,936)	(107,778)	(40,158)	37.3%
Assets held for sale net of related liabilities	705	705	0	0.0%
Net working capital	(16,214)	97,932	(114,146)	-116.6%
Gross capital employed	1,052,806	1,178,231	(125,425)	-10.6%
Employee benefit provisions	(36,584)	(35,475)	(1,109)	3.1%
Provisions for risks and charges	(1,778)	(2,402)	624	-26.0%
Deferred tax assets net of liabilities	6,745	6,401	344	5.4%
Net capital employed	1,021,189	1,146,755	(125,566)	-10.9%
Shareholders' equity	1,143,172	1,139,897	3,275	0.3%
Net financial debt	(121,983)	6,858	(128,841)	n.a.
Total funding	1,021,189	1,146,755	(125,566)	-10.9%

(thousands of euros)

Net capital employed amounted to €1,021.2 million at 31 December 2019, a decrease of €125.6 million compared with 31 December 2018, reflecting changes in the following items.

Net non-current assets amounted to €1,069 million, a decrease of €11.3 million compared with 31 December 2018, due to: i) a decrease of €21.8 million in property, plant and equipment and intangible assets as a result of the recognition of greater depreciation on investments under construction during the year; ii) the recognition of right-of-use assets following the application from 1 January 2019 of IFRS 16, which amounted to €2.5 million net of the depreciation charge for 2019 of €0.7 million; iii) an increase in equity investments of €41.1 million, reflecting the acquisition of IDS AirNav on 18 July 2019; iv) a decrease of €23.2 million in non-current trade receivables and payables associated with negative balance liabilities that emerged in 2019 and the reduction in balance receivables; v) the change of €9.8 million in other non-

current assets and liabilities, which primarily reflected a reduction in receivables due from government entities in respect of capital grants, reflecting the reclassification of €5.8 million to current assets, and an increase in deferred income on projects related to investments financed under the Connecting Europe Facility (CEF).

Net working capital was a negative €16.2 million, compared with a positive €97.9 million at 31 December 2018. The main changes concerned: i) a decrease of €64.7 million in trade receivables, mainly owing to the decline in balance receivables related to the reversal to profit or loss of the portion pertaining to 2019 and included in charges for the same period, net of amounts classified in current receivables and subject to inclusion in charges in 2020; ii) an increase of €9 million in trade payables as the concentration of invoicing in the final months of the year produced a reduction in payments; iii) a change in other current assets and liabilities, which resulted in a net increase in liabilities of €40.2 million as a result of the decline of €7 million in tax receivables following the collection of the VAT receivable for which reimbursement had been requested, a reduction in receivables for projects financed following the receipt of the interim payment for the 2014 and 2015 call of the CEF in the total amount of €15.5 million, an increase in liabilities in respect of the Italian Air Force and ENAC corresponding to their share of en-route and terminal collections and an increase in tax liabilities in respect of current taxes for 2019.

Net capital employed also reflected the employee benefits provision in the amount of a negative €36.6 million, with the increase reflecting the recognition of the actuarial loss at 31 December 2019, provisions for risks and charges of €1.8 million, which decreased during the year due to the favourable settlement of a number of disputes with employees, and deferred tax assets and liabilities in the net positive amount of €6.7 million, an increase of 5% on the previous year.

Shareholders' equity amounted to €1,143.2 million, a net increase of €3.2 million compared with 31 December 2018. This reflected net profit for the year of €111.9 million, an increase of €8.9 million on 2018 and the recognition of the accrued portion of long-term incentive plans in the amount of €1.1 million, effects that were reduced by the actuarial loss recognized in 2019, which net of tax effects amounted to €1.8 million, and the reduction in retained earnings/loss carried forward used to distribute the dividend.

The net financial position at 31 December 2019 showed a net cash position of €121.9 million, a marked improvement on 31 December 2018, when the position showed net financial debt of €6.9 million.

	31.12.2019	31.12.2018	Change	
Cash and cash equivalents	429,914	308,206	121,708	39.5%
Current financial receivables	30,019	9,007	21,012	233.3%
Current financial debt	(15,058)	(14,924)	(134)	0.9%
Current lease liabilities ex IFRS 16	(782)	0	(782)	n.a.
Net current financial position	444,093	302,289	141,804	46.9%
Non-current financial receivables	3,431	28,106	(24,675)	-87.8%
Non-current financial debt	(323,713)	(337,253)	13,540	-4.0%
Non-current lease liabilities ex IFRS 16	(1,828)	0	(1,828)	n.a.
Non-current financial debt	(322,110)	(309,147)	(12,963)	4.2%
Net financial debt	121,983	(6,858)	128,841	n.a.

(thousands of euros)

The improvement of €128.8 million in the net financial position reflected developments in receipts and payments connected with ordinary operations, which generated a positive cash flow, as well as the collection of grants for projects financed under 2014 – 2020 NOP at the European level totalling €31.3 million and the collection of the VAT receivable in the amount of €7 million. The financial position was adversely affected by the payment of dividends of €108 million, the payment to the Ministry for the Economy and Finance (MEF) of €52 million as the net amount between the debt for en-route receipts and the receivable represented by exempt flights, the payment of €23.2 million to the Italian Air Force and ENAC for the portion of core business collections pertaining to them and the purchase of IDS AirNav for €37.9 million at 31 December 2019, in compliance with the agreement between the parties.

Statement of cash flows

<i>(thousands of euros)</i>	2019	2018	Change
Cash flow generated/(absorbed) by operating activities	342,028	306,119	35,909
Cash flow generated/(absorbed) by investing activities	(93,067)	(120,795)	27,728
Cash flow generated/(absorbed) by financing activities	(127,253)	(134,668)	7,415
Cash flow for the year	121,708	50,656	71,052
Cash and cash equivalents at the beginning of the year	308,206	257,550	50,656
Cash and cash equivalents at end of the year	429,914	308,206	121,708
Free cash flow	248,961	185,324	63,637

Cash flows from operating activities generated at 31 December 2019 amounted to €342 million, up €35.9 million on the previous year. This positive flow reflected a series of factors, including: i) the reduction of current and non-current trade receivables attributable to the decrease in the receivable for balances following the recognition in profit or loss of the accrued share, which was incorporated in charges for 2019 but not offset by new receivables; ii) a decrease in tax receivables following the collection of the VAT reimbursement of €7 million; iii) the net change in other current and non-current assets and liabilities,



which generated a decrease of €31.6 million in assets, mainly as a result of the collection of funds for projects financed under the Connecting Europe Facility (CEF) and the 2014-2020 NOP; iv) the net decline of €30.3 million in current and non-current trade payables, reflecting an increase in payables for balances as a result of new positions arising for 2019 and a decrease in payables to suppliers for operating activities, net of the change in payables to suppliers for investment activities, thanks in part to the settlement of a number of positions regarding previous years that are considered no longer due; and v) the increase of €8.9 million in profit for the year.

Cash flows from investing activities at 31 December 2019 absorbed cash in the amount of €93.1 million euro, down €27.7 million compared with the figure at 31 December 2018. The change, with capital expenditure of €117.8 million, down €2.5 million compared with the previous year, mainly reflects a decrease of €21 million in payments to suppliers for investment projects carried out during the year as a result of the concentration of activities in the final months of the year. Liquidity was absorbed in 2019 by the acquisition of IDS AirNav for a price of €41.1 million, of which €3.2 million still to be disbursed under the terms of the agreement between the parties. By contrast, liquidity was generated by the expiry of a one-year time deposit of €9 million, which was subscribed the previous year together with the investment in two government securities (BTPs) that had absorbed cash amounting to €33.9 million.

Cash flow from financing activities absorbed cash in the amount of €127.3 million, a decrease of €7.4 million compared with 31 December 2018. This change is attributable to a decrease of €15.6 million in repayments of long-term loans following the expiry of two loans at the end of 2018, partly offset by an increase in current financial assets connected with a loan of €5 million granted to the subsidiary IDS AirNav following the acquisition in order to ensure the company had the liquidity needed for ordinary operation, and by the increase of €7 million in the dividend, to €108 million. The situation in 2018 had been affected by the purchase of treasury shares in the amount of €4.9 million, the full amount approved by the Shareholders' Meeting.

Free cash flow amounted to €248.9 million, an increase of €63.6 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 2019 the ENAV Group workforce numbered 4,195 employees, an effective increase of 81 on 2018. The rise reflected the expansion of the Group, with the inclusion of IDS AirNav on 18 July 2019. The Group provides flight assistance services, operational system maintenance and AIM software solutions throughout the national territory and is engaged in aeronautical consulting activities in Malaysia.

Industrial relations

During 2019, dialogue with the social partners essentially focused on three main issues: i) the 2019 summer season agreement; ii) the implementation of the Business Plan; and iii) staffing policy.

The agreement signed between the Parent Company and the trade unions on 29 April 2019 for the 2019 summer season, which envisages the maximum use of operating personnel under the 35 weekly hours flexibility system from June to September, made it possible to manage the expected and actual increase in air traffic in the summer.

In February 2019, in the wake of the political/organisational conflicts that had arisen after the presentation of the 2018-2022 Business Plan to the trade unions, an agreement was signed at the Ministry of Infrastructure and Transport (MIT) with the social partners that temporarily suspended the implementation of the Plan, its effects and all associated activities and measures. In order to enable the parties to reach an overall understanding on the Plan through constructive dialogue, the Parent Company and the unions began a series of national meetings that led to the signing of an agreement in May 2019 resolving the main problems that had emerged previously and sanctioning the start of the initial implementation phase of the transfer of approach control from the control towers to the Area Control Centres using a reprogrammed timetable.

A number of disputes and requests for meetings from the trade unions concerned the staffing policy of for the Parent Company's operating personnel.

Since 15 November 2019, the Parent Company has provided the trade unions with information about the impact on operations of the application of Commission Implementing Regulation 2017/373 *laying down common requirements for providers of air traffic management/air navigation services and other air traffic management network functions and their oversight* with effect from January 2020.

Training

The number of training hours provided by the Training Centre during 2019 totalled 91,200 for 1,586 participants (73,918 hours and 1,409 participants in 2018), divided into: 35,512 hours of ab-initio training (278 participants), 13,932 hours of advanced training (33 participants), 19,578 hours of ongoing training (939 participants), 20,784 hours of training for external customers (319 participants), and 1,394 hours of training for internal Group customers (17 participants). This was accompanied by 230 hours of e-learning training (293 participants) and 5,200 hours of human factor training (300 participants), 1,890 hours of language skills assessment and training (270 participants) and 160 hours of classroom language training (10 participants).



In 2019 four integrated ATCO courses were launched, which, together with the initial training of the 52 newly hired FISOs, increased the proportion of ab-initio courses, which as they tend to be longer were accompanied by a marked increase in the number of training hours provided in this sector (+73% compared with 2018).

Advanced training, involving two Area Control Surveillance (ACS) courses and two ADI-RAD courses, increased by 36% compared with the previous year.

The training campaign for air traffic controllers to retain their licenses, with a focus on training in ABES management, and the continuation of the Assessor and On-the-job training instructor refresher programmes involved virtually the same volume of training initiatives as in 2018.

Training activities for external customers mainly concerned the ADI-RAD course provided to air traffic controllers in Croatia.

With regard to management and specialist training, in 2019 training sessions involved a total of 23,920 hours and 373 staff in language, management and specialist training activities and almost the entire Group with training in e-learning initiatives.

Training involved experiential training projects for certain units of the ENAV Group with the aim of improving their ability to work in an integrated manner, as well as project management courses and training packages for specialist topics of interest to staff units and indirect operating units.

In the area of e-learning, 39 qualifications and 20 learning paths were made available, involving 4,192 people for a total of 17,836 hours. The launch of short multimedia training programmes that address specific skills was an important step during the year, focusing on key aspects, offering new interpretations and stimulating individual learning and investigation.

Finally, language training continued, with 38 employees involved in a total of 198 hours of training, divided into individual one-on-one courses, multimedia courses and a thematic workshop involving 10 participants.

Occupational health and safety

The requirements established by Legislative Decree 81/08, the Consolidated Occupational Health and Safety Act, are managed at the Group level by the Health, Safety and Environment unit. Following the organisational changes introduced in 2019, employer delegations of duties were updated for both ENAV and Techno Sky, in compliance with Article 16 of Legislative Decree 81/08. The system of delegated powers of Techno Sky was also strengthened with the designation of new delegated safety officer and the assignment of specific sub-delegations.

In compliance with Article 17 of Legislative Decree 81/08, the risk assessment was performed and the Risk Assessment Documents (RADs) of ENAV and Techno Sky were updated to account for organisational or structural changes that may have altered the risks faced by employees. A RAD was also created for D-Flight.

An Emergency and Evacuation Plan was drawn up for each ENAV site, and 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 occupational health and safety for workers was provided.

With regard to the analysis of injuries, out of 28 accidents occurring at ENAV, 22 were classified as having occurred in travel to and from work, while those that occurred at work (6) were not directly attributable to the tasks performed by the workers involved (e.g. slips and falls). For Techno Sky, of 17 injuries, 6 were considered as having occurred in travel to and from work, while those that occurred at work (11) are only partly attributable to the job performed by the worker. IDS AirNav registered 1 injury during travel to and from work.

In accordance with Article 35 of Legislative Decree 81/08, all scheduled meetings were held, called by each employer-delegated safety officer.

With regard to the obligations deriving from Legislative Decree 152/06 concerning environmental protection, in March 2019 the ENAV Group's environmental policy containing the Group's commitment and objectives was approved, all in compliance with international, community and national legislation. The development of the Group's Environmental Management System was subsequently launched, continuing specific activities to define and standardize company processes, in compliance with applicable regulations. In particular, the new process for managing of waste water discharges and storage tanks was defined, with particular regard to the related environmental requirements in the design and operating phases, while processes supporting operations in the management of hazardous waste and the control of fluorinated greenhouse gas emissions were updated to take account of regulatory changes. 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.

The production and presentation of the reporting envisaged for hazardous waste for 2019 were also carried out as planned.

Finally, a project was launched for the computerized management of records ensuring the traceability of the hazardous waste cycle and the related reporting, supporting more efficient implementation of the related regulatory requirements, which will make it possible to provide standardized support for managing hazardous waste at Group level.

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 2019 consolidated capex amounted to €116.3 million (€116.9 million at 31 December 2018), while that reported in the separate financial statements of ENAV S.p.A. came to €117.8 million (€120.2 million at 31 December 2018).

The main investments under way in 2019 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 extension of the Data Link system to a larger number of frequencies, in order to be able to manage controller-pilot communications with the growing number of aircraft equipped with the system; iii) the construction of the new automation system for the Malpensa Tower, which has introduced electronic flight strip procedures; and iv) the implementation of the ERATO medium-term conflict detection system at the four Area Control Centres.

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 regulatory framework 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 Parent Company having 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 currently breaks down into two activity periods: Wave 1 which covers the first three years (2016-2019) and Wave 2 covering the next three (2020-2022). With the exception of a very small number of activities still under way, SESAR Wave 1 technical activities had been successfully completed at the end of 2019. For the implementation of



the projects, the Parent Company drew on 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, as well as the subsidiaries Techno Sky and IDS AirNav. The ENAV Group was involved in more than 20 validations during Wave 1. In 2019 Wave 2 was contracted out, with ENAV participating in 12 projects concerning issues of great interest to the company, with work beginning in December 2019.

Work on defining the final part of the project, called Wave 3 (2021-2022), which will complete the funding budgeted by the European Commission for SESAR 2020.

SESAR Deployment Manager

The SESAR Deployment Manager (SDM) 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 Regulation 716/2017 (the Pilot Common Project - PCP) and structure it in the Deployment Programme, which 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, facilitate the annual updating of the Deployment Programme, in which the Parent Company has a leadership role, in coordination with the other European stakeholders. At the same time, ENAV maintains the alignment of the Corporate Investment Plan and requirements of the Deployment Programme to ensure the conformity of the implementation methods and timing planned by the Parent Company with the applicable European regulations. Note that with regard to the cofinancing calls drawn on the Connecting European Facilities (CEF), 2019 saw the continuation of projects that have been awarded for the implementation of Regulation 716/2014. The number of projects coordinated by the SDM totals 350, of which more than 100 have been completed.

Environment

As part of the initiatives aimed at developing a sustainable business, the ENAV Group has set itself the objective of reducing and enhancing the efficiency of consumption associated with the production of its services and of contributing to the reduction of the environmental impact of air operations. For these



reasons, the Group seeks both to reduce the emissions associated with its activities and to contribute, by optimising the infrastructure of air traffic services (ATS), to the reduction of carbon dioxide (CO₂) connected with the operations of airspace users.

Operational measures

In order to foster the sustainable development of air transport, the Parent Company supports airspace users by providing a network and services that enable them to reduce fuel consumption and, therefore, to minimize the associated environmental impact.

With the primary objective of always guaranteeing the highest levels of safety, ENAV, working cooperatively to develop collaborative solutions with stakeholders, plans and implements measures that are intended to ensure the continuous improvement of the ATS network, enabling carriers to select increasingly environmental friendly flight paths, enjoying shorter travel times and reduced constraints on planning and flight operations. All the measures planned and implemented for this purpose are catalogued and monitored periodically in the Flight Efficiency Plan (FEP).

In the annual update of the FEP all operational efficiency initiatives implemented by the Parent Company, in a given period in the various business segments are reported and assessed, including: i) the ground phase, dedicated to speeding up operations and optimizing the ground movement of aircraft (start-up and taxi in/out phases); ii) the flight phase, which includes take-off and trajectories for initial climb; iii) the cruise phase (en-route phase); and iv) the terminal phase (arrival), dedicated to the optimization of approach flight profiles for landing. Given their importance in achieving expected performance in order to meet environmental targets, the progress and effectiveness of the actions implemented in the Flight Efficiency Plan is subject to monitoring and oversight by ENAC. Since 2012, the results of the actions implemented by the EFF are included in Italy's Action Plan on CO₂ Emissions Reduction, which Italy has undertaken to carry out as its contribution to the wider programme for fighting climate change being led in aeronautical sector by ECAC/ICAO.

The measures implemented in 2019 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.

Following up on actions taken in previous years and supplementing the achievements of the Free Route Airspace Italy Project (FRAIT), which allows freer planning of the flight paths in airspace above 30,500 ft, around 9,000 metres), in 2019 the Parent Company took steps to improve coordination with the Italian Air Force in order to maximize air space availability, to optimize the ATS network in the airspace below the FRAIT area and in the terminal areas and to achieve further performance improvements for operations in the airport movement area.



With regard to the FRAIT airspace, almost 45% of assisted air 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 14.2 million kilometres (equal to 25.44 km per aircraft), producing a consequent overall reduction in CO₂ emissions of about 167 million kg and fuel savings for en-route flight of approximately 52.9 million kg.

Having already removed the constraints imposed under the previous ATS route network and having enabled airspace users to plan/fly directly from a defined entry point to an exit point from the free route airspace, the new measures focused on enhancing the harmonisation of flight profiles for air traffic operating on a number of national and international routes, enabling the reduction of planned/flown distances through advanced coordination with the Italian Air Force, which has improved airspace availability in military areas and, therefore, along the network impacted by these areas with a shared approach to the flexible use of airspace (FUA). The results of these activities can be quantified in a reduction of about 1.2 million kg of fuel, with a consequent reduction of CO₂ emissions of about 3.7 million kg.

Also in 2019, work continued in terminal areas on the programme for the creation of Performance Based Navigation (PBN) instrument flight procedures, implementing procedures that optimise the balancing of flight efficiency with capacity performance and predictability for the airports of Milan Malpensa, Milan Linate, Bergamo Orio al Serio, Palermo, Catania, and Venice. The improvements to the ATS network in the terminal areas for these airports and other airports with lower traffic levels reduced fuel consumption by around 318 tonnes, with a corresponding 1,000 tonne reduction of CO₂ emissions.

Finally, the work envisaged in the programme to implement operational processes based on Airport Collaborative Decision Making (A-CDM) continued, creating a coordinated management system for aircraft ground movements at the airports of Rome Fiumicino, Milan Malpensa, Milan Linate, Venice Tessera and Naples Capodichino. A-CDM is an integrated coordination system that enables the continuous exchange of data between ENAV, the airport manager, airlines and the network manager, improving the management of operations by all the stakeholders involved. In addition to improving predictability and punctuality performance, this allows the optimisation of turnaround procedures and reduces fuel consumption.

Facilities projects

In line with the environmental policies introduced in recent years, the Parent Company 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 an additional reduction of polluting emissions, thereby reducing energy costs and benefiting from the incentives of the Electricity Services Operator (GSE).

In compliance with Legislative Decree 102/2014, the Parent Company conducted an energy diagnosis at 24 sites and on the basis of the findings identified opportunities for improvements in energy efficiency. These improvements will be implemented with measures 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 Parent Company 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, Genoa and Catania airports, while an additional 4 plants are being designed for ENAV sites in southern Italy.

Furthermore, the modernisation 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 by the ACC from the grid by about 36% from current levels, equivalent to a reduction in CO₂ emissions of 590 tonnes per year.

Overall, the measures envisaged in the ten-year Energy Plan will lower the total electricity consumption of the Parent Company by 28%, which will reduce CO₂ emissions by 16%.

International activities

At the international level, the Parent Company continued 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).

In 2019, ICAO held its 40th General Assembly, the highest decision-making body of the organisation, which meets every 3 years. During this event, in addition to approving the new Global Air Navigation Plan and the Global Aviation Safety Plan, the ICAO Council was elected. Thanks to the close coordination and promotion efforts of the ministries, ENAC and ENAV, Italy received the most votes (together with China), facilitating the election of an Italian as President of the ICAO Council.

In addition, activities were pursued within European institutions, with particular regard to certain key regulations for the aviation sector and for the Parent Company, of which the most relevant are reported below:

- ❖ Decision (EU) 2019/903 setting the Union-wide performance targets for the air traffic management network for the third reference period (2020 - 2024), which was issued following the conclusion of the revision of the regulation governing the Network Manager and the performance and charging schemes

(Regulation 2019/317, which replaces Regulations 390 and 391 of 2013, and Regulation 2019/123, which replaces Regulation 677/2011);

- ❖ the new European drone Regulations (n. 2019/945 and 947) and related Accepted Means of Compliance (AMC) and Guidance Material (GM).

Within the EASA initiative to draft a new regulation concerning the provision of services in the UTM/U-space, a first Draft Opinion was proposed by EASA in 2019 and the process should be completed in 2020.

Finally, in 2019 two important documents for the evolution of air traffic management in the coming years were published, with the Parent Company actively participating in their drafting: the Wise Person Group Report, which was prepared by a group of experts and contains proposals for the future development of the Single European Sky and the consequent Stakeholder Declaration, in which the objectives and commitments for the further evolution of the Single European Sky are defined in order to respond more incisively to the new challenges facing the sector; and the Airspace Architecture Study and related Transition Plan, which were drawn up by the SESAR Joint Undertaking in collaboration with the Network Manager and contain proposals for the future architecture of European airspace.

Commercial operations

In 2019 the ENAV Group generated revenues from the sale of systems and services on the non-regulated market of €19.2 million, an increase of 42.1% compared with the previous year. The jump was connected with the entry of IDS AirNav in the ENAV Group as from 18 July 2019, which added €10 million in revenues. The most important activities conducted by the ENAV Group on the non-regulated market involved the sale and maintenance of Aeronautical Information Management (AIM) systems and aeronautical consulting and flight inspection services.

In 2019, the Parent Company received two orders with a total value of €1.3 million relating to flight inspection activities to be performed in Morocco for ONDA, the Moroccan airports authority, and in Romania for ROMATSA. In addition, a contract for the preparation and hosting of EGNOS V3 at the Catania site with a value of €0.7 million was formalised with the Global Navigations Satellite Systems Agency.

Following its acquisition by ENAV, IDS AirNav has received a number of orders including: a contract for the supply of the Aeronautical Message Handling System (AHMS) and the Aeronautical Information Management (AIM) dynamic platform for Ndola airport in Zambia worth \$1.9 million and a contract for the supply of a platform for managing licenses and the Integrated Cartographic Environment (ICE) services for the Brazilian air traffic control service provider CISCEA with a total value of €0.6 million. The company also won a tender for the supply of the CRONOS dynamic data management system for air traffic control for the Argentine service provider (EANA) with a total value of \$0.8 million.



Enav Asia Pacific signed an agreement with the Malaysian Ministry of Transport for an extension of the contract already in execution regarding Kuala Lumpur airport.

Other information

2020-2024 Performance Plan

From a regulatory point of view, the year 2019 was a dividing line, as on the one hand we reached the end of the second reference period (2015-2019) and on the other, the year represented the starting point for the new operational and financial planning cycle for ENAV, which will be a key part of the new Performance Plan for 2020-2024.

With a view to defining the set of rules to be applied in the new reference period, during 2019 the European Commission issued a new regulation (no. 2019/317) laying down a performance and charging scheme. The new scheme introduced by the European Commission with the issue of the new regulation makes a number of changes to existing arrangements, including a different method for calculating the financial performance indicator, the mandatory nature of an incentive system for capacity, the inclusion of depreciation in a cost recovery system and the possibility for Member States to plan their performance at the national or FAB level.

The process of developing the regulations was especially intense and saw the involvement of all European stakeholders (including the NSAs, providers and CANSO). As on the occasion of previous reference periods, ENAV, working in coordination with the national regulator, played an active part in the various technical working groups established at the Community level.

In parallel with the enactment of the new EU regulation, a debate on performance targets to be achieved in 2020-2024 emerged at the European level. Numerous discussions were held between the Community technical bodies and the national authorities, seeking to determine the financial and operational performance targets to be achieved in the period. Following this complex and challenging process, in May 2019 the European Commission issued Decision no. 2019/903 setting the Union-wide performance targets for the third reference period in each performance area. As regards financial efficiency, the Decision set an average annual cost-efficiency target of 1.9%. As for EU capacity targets, the Commission set a target of 0.25 minutes of delay per flight for Italy. The national regulatory authority, beginning on the basis of the target assigned at the Community level, then set a target for Italy with a pivot value of 0.20 minutes of delay per assisted flight. Taking account of the financial and operational performance targets, the Parent Company has set out its planning in the new Performance Plan, which is currently being evaluated by the European Commission.



Among other things, work is under way on updating the Programme Agreement for 2020-2024, the text and annexes of which must incorporate the new provisions on charging and performance introduced with the recent EU regulation.

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 has 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 S.p.A. in partnership with Telespazio and IDS-Ingegneria dei Sistemi (now just Leonardo and Telespazio). In November, a newco was set up, initially held entirely by the Parent Company, with the name D-Flight S.p.A. On 28 February 2019, the industrial partners, working through the specifically established company UTM System & Services S.r.l, subscribed a capital increase by D-Flight of €6.6 million, thereby acquiring a 40% stake.

In regulatory developments, in June 2019, two regulations governing the operation and marketing of drones in Europe were published in the *Official Journal of the European Union*. They will replace the existing regulations issued by ENAC starting from 1 June 2020. These regulations represent the first results of the application of Regulation no. 2018/1139, which extended some of EASA's powers over unmanned aircraft systems, transferring them from the national to the European level. EASA will publish guidelines in implementation of these regulations and two additional opinions to take account of the multiple comments received from the various stakeholders regarding the U-space concept and UTM services.

Meanwhile, in November ENAC issued regulations for unmanned aircraft systems, which entered force on 15 December 2019. Among other things, they require recreational and professional operators to register on the D-Flight platform and to register their craft for identification purposes. Accordingly, registration



services are being developed for users, operators and unmanned aircraft systems, with the issue of a unique QR identification code. The services are provided on a paying basis, in accordance with a rate scheme authorised by ENAC.

Finally, the first public geo-awareness service, with universal and free access, has been launched. The service uses an intuitive interface to enable anyone to determine if a drone can be flown in a given point of Italian territory and under what conditions.

ENAV Group certifications

In 2019 the Parent Company 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 for air traffic controllers 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* to operate as a training organisation for persons providing aeronautical flight information services and for personnel providing meteorological services for air navigation, as well as ENAC Regulation *Instrument Flight Procedures*, to operate as an instrument flight procedure design organisation.

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

- 19 audits to check ongoing compliance with the requirements for operating as a provider of air navigation services;
- 4 audits to check ongoing compliance with the requirements for operating as a training organisation;
- 1 audit to check ongoing compliance with the requirements for operating as an instrument flight procedure design organisation.

As part of activities to comply with new EU requirements in the ATM/ANS field, on 31 December 2019, on the occasion of the entry into force of Implementing Regulation (EU) no. 2017/373, which replaces Regulation (EU) no. 1035/2011, ENAV obtained a new certification from ENAC as a provider of air traffic management and air navigation services.

With regard to the certification of ENAV Group corporate management systems, in December 2019 the international certification body DNV GL – Business Assurance successfully concluded its first audit of continued compliance with certification requirements for:

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

Last year also saw the successful completion of the first and second audits of continued compliance for the BS OHSAS 18001:2007 certification of ENAV and Techno Sky.



As far as the flight inspection air fleet is concerned, the Parent Company 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 September 2019, the Italian accreditation body “ACCREDIA” issued the accreditation certificate for the LAT 015 Centre in compliance with the new edition of UNI CEI EN ISO/IEC 17025:2018;
- in November 2019 the international certification body DNV GL – Business Assurance carried out the first audit of continued compliance with 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 Implementing Regulation (EU) no. 2015/2067.

With regard to the IDS AirNav subsidiary, in 2019, the international certification body DNV GL Business Assurance issued the following certifications:

- UNI EN ISO 9001:2015 for the quality management system;
- UNI CEI ISO/IEC 27001:2014 for the information security management system;
- BS OHSAS 18001:2007 for the occupational health and safety management system;
- UNI EN ISO 14001:2015 for the environmental management system.

IDS AirNav also maintains certification as a design organisation for the Parent Company’s instrument procedures in Italy and the United Arab Emirates and maturity level 3 in relation to the implementation of the Capability Maturity Model for Development (CMMI - DEV) for software development activities.

Security

During 2019, considerable effort went into extending the founding principles of the ENAV Security Management System to all Group companies in the fields of personnel security, infrastructure and information, both in terms of protecting corporate interests and protecting the public interest underlying the mission of the Parent Company.

More specifically: i) the scope of risk management activities was expanded to incorporate a group perspective; ii) the extension of ENAV Security Management System processes to subsidiaries continued; iii) a specific focus was brought to information security issues for the IDS AirNav subsidiary, in order to support its integration within the ENAV Group, and for the D-Flight subsidiary in implementation of the agreement with ENAC; iv) the campaign to promote the culture of security continued with an e-learning course on security awareness for all ENAV, Techno Sky and IDS AirNav staff.



In 2019, work continued on enhancing the Security Operation Centre (SOC), which represents the operational engine for prevention, detection, containment, response and recovery processes for the entire Group. The protection of personnel, a corporate priority, has been enhanced with particular regard to overseas missions, developing a specific component dedicated to the analysis and management of “travel security” risk and the preparation of an operational emergency response, with a dedicated process and the support of an international partner.

General Data Protection Regulation

Since 2018, the ENAV Group has adopted appropriate technical and organisational measures to guarantee 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.

The Group immediately:

- appointed a Data Protection Officer (DPO);
- introduced the data processing register;
- established a Group Privacy unit to manage privacy issues and the related regulatory compliance;
- developed policies and procedures on data processing;
- updated disclosures.

During 2019, the Group maintained a constant focus on compliance with data processing rules, updating the register and carrying out periodic risk assessments, as well as formalising DPIAs where appropriate. At the same time, internal staff training on GDPR issues was pursued. Requests from persons desiring to exercise their rights were handled in compliance with the applicable legislation and internal procedures. Internal reports on possible data breaches were assessed promptly by the competent units in accordance with internal procedures and in compliance with external regulations. Finally, a number of audits of compliance with data processing regulations were also conducted.

Purchase of treasury shares

ENAV holds 1,200,000 treasury shares equal to 0.22151% of share capital with a value of €4,973 thousand, which were acquired in 2018 in implementation of the shareholder resolution of 28 April 2018, which 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 programs 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; 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 were authorised for purchase, all of which were acquired in 2018.

Significant transactions

No transactions that had a significant impact on the performance and financial position of the Group were carried out in 2019.

Atypical and/or unusual transactions

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, we report that during 2019 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 2019 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 2019.

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 2019 no transactions of greater importance as identified in Annex 1 of the related-party transaction procedure were carried out. In January 2019 a new contract with a total value of €297.7 million was signed between ENAV and Techno Sky for the “operation and maintenance of systems serving air navigation services as well as plant and systems not supporting the operational functions” for the 2019-2022 period at all ENAV sites in Italy. 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 2019, 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 2019 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.

Participation in regulatory simplification process under CONSOB Regulation no. 18079 of 20 January 2012

Pursuant to Article 3 of CONSOB Resolution no. 18079 of 20 January 2012, ENAV has declared that it is participating in simplification regime envisaged by Articles 70, paragraph 8, and 71, paragraph 1-bis, of CONSOB Regulation no. 11971 of May 14, 1999 as amended (CONSOB Issuers Regulation), therefore availing itself of the option to derogate from the obligations to publish the information documents required for significant mergers, demergers, capital increases through the transfer of assets in kind, acquisitions and disposals.

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 S.r.l.

	2019	2018	Amount	Change %
Revenues	100,485	99,443	1,042	1.0%
EBITDA	20,766	16,180	4,586	28.3%
EBIT	18,609	15,592	3,017	19.3%
Net profit/(loss) for the year	13,194	10,769	2,425	22.5%
Net capital employed	35,210	29,348	5,862	20.0%
Shareholders' equity	33,451	31,416	2,035	6.5%
Net financial position	1,759	(2,068)	3,827	-185.1%
Headcount at end of year	730	792	(62)	-7.8%

(thousands of euros)

Techno Sky closed 2019 with a net profit €13.2 million, an increase of €2.4 million on the previous year. This performance reflected an increase in revenues from the core business of the subsidiary, thanks in part to the contractual renewal at the beginning of 2019 which expanded the scope of the company's activities and adjusted prices. This was partially offset a reduction in revenues on foreign markets, mainly linked to a reduction in work on project under way in Libya. Costs declined by a net 4.3%, mainly related to operating costs, which reflected a decline on certain projects, offsetting the increase in personnel costs caused by the harmonization of Techno Sky's collective bargaining agreement with that for the air transport sector with effect from 1 January 2019. EBITDA amounted to €20.82 million, an increase of 28.3% compared with the previous year, while EBIT, although affected by an increase in depreciation due to the application of IFRS 16 as from 1 January 2019, came to €18.6 million, up 19.3% on 2018. 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.

IDS AirNav S.r.l.

<i>(thousands of euros)</i>	2019
Revenues	12,295
EBITDA	4,981
EBIT	4,864
Net profit/(loss) for the year	3,392
Net capital employed	7,581
Shareholders' equity	4,797
Net financial position	2,784
Headcount at end of year	146

IDS AirNav, established on 24 May 2019, received the air navigation business unit from IDS Ingegneria dei Sistemi S.p.A. on 28 June 2019 with effect from 2 July 2019, and on 18 July 2019 ENAV purchased 100% of the share capital. In six months of operations in 2019, the company generated revenues of €12.3 million from the sale of software licenses and the provision of services and maintenance of existing software. After costs of €7.3 million for operating and personnel expenses, EBITDA amounted to €4.9 million. The first year of operations closed with a profit of €3.4 million.

Enav Asia Pacific Sdn Bhd

	2019	2018	Amount	Change
				%
Revenues	2,905	2,638	267	10.1%
EBITDA	1,246	1,477	(231)	-15.6%
EBIT	1,205	1,464	(259)	-17.7%
Net profit/(loss) for the year	906	1,109	(203)	-18.3%

(thousands of euros)

Enav Asia Pacific, a company incorporated under the laws of Malaysia, closed 2019 with a net profit of €0.9 million, a slight decrease compared with the previous year. Revenues increased by 10.1% due to the activities performed under the new contract for the upgrade of CNS-ATM systems in the Kota Kinabalu Flight Information Region, with a consequent increase in costs connected with orders, producing EBITDA of €1.2 million, a decrease of 15.6% compared with 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 €63.5 million, corresponding to \$70.8 million, with a 9.1% interest that will rise to 11.1% following execution of the redemption clause. Aireon LLC created the first global satellite surveillance system for air traffic control, which was completed with 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. This global air traffic control surveillance system enables route optimisation, the achievement of ever higher flight safety and efficiency standards and fuel savings thanks to shorter routes with a lower environmental impact. Last year closed with a profit of €391 thousand, mainly generated by the deferred tax assets recognized on the tax loss registered in the tax return filed 2019 for the 2018 financial year

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.

<i>(thousands of euros)</i>	31.12.2019		31.12.2018	
	Net profit	Shareholders' equity	Net profit	Shareholders' equity
Parent Company	111,881	1,143,172	102,935	1,139,897
Consolidation differences	0	(29,721)	0	(29,721)
Amortisation of increased value of assets from acquisition, net of tax effects	(853)	(853)	0	0
Elimination of intercompany income effects net of tax effect	687	(14,843)	(384)	(15,530)
Translation reserve	0	7,029	0	5,902
Reserve from fair value measurement of investments, employee benefits and FTA	0	5,843	0	4,759
Consolidation reserve	0	3,946	0	0
Other effects	1	(4)	16	(5)
Intercompany dividends	(10,768)	(10,768)	0	0
Net profit of subsidiaries	17,485	49,742	11,823	32,257
Group total	118,433	1,153,543	114,390	1,137,559
Non-controlling interests	(164)	2,500	0	0
Total	118,269	1,156,043	0	0



Risk management

The ENAV Group has adopted an Enterprise Risk Management (ERM) process to identify, assess and monitor Group-wide risks and to define and manage mitigation actions to contain the level of risk within the propensity thresholds approved by the Board of Directors (risk appetite).

An analysis of the most significant risks for the Group is provided below, with the exception of the financial risks, which are addressed in the explanatory notes to the consolidated financial statements.

Safety

As well as being the essence of the Parent Company's mission, the prevention and containment of the risks associated with the provision of our core business activities within acceptable limits is an indispensable condition for maintaining the certification necessary to perform the activities of Air Navigation Service Provider.

ENAV considers the operational safety of air navigation services an indispensable priority and, in pursuing its institutional objectives, we reconcile the interdependencies of the various performance areas with achievement of pre-eminent safety objectives.

Safety is managed through dedicated organisational structures and the implementation and maintenance of a specific Safety Management System.

The Parent Company prepares its own safety policies and prepares an plan for improvement of those policies (the Safety Plan), which programmes the activities that it intends to carry out in order to achieve the specified safety performance objectives and to improve safety as a whole.

Image & reputation

The creation of reputational value is a process implemented on an ongoing basis by the ENAV Group, systematically managing communication and relations with stakeholders.

Corporate image and reputation are factors of success for organisations that have to interact with customers, institutions, authorities, shareholders and other stakeholders in the conduct of their business. This is especially true for companies like ENAV who are listed on regulated markets, as the community of investors is highly sensitive to events that could jeopardise their reputation.

In view of the disclosure obligations incumbent upon the Group, the Parent Company takes specific steps to safeguard its corporate image and reputation and constantly monitors image-relevant content in the press, on the radio, television, the Internet and social media.



In general, image & reputation management arrangements comprise: i) compliance with regulations governing financial disclosure (press releases, rules of engagement, equal access to information, the use of regulated information services); and ii) contacts with the specialist press (economic/financial).

As far as crisis communication is concerned, the Group structure in charge of external communication actively monitors the most critical events in order to rapidly and proactively manage external communication effectively in the event of a crisis.

Business continuity

The continuity of core business services is guaranteed through integrated actions in three key areas: technology, human aspects and processes.

The Group has performed dedicated business impact analyses and developed specific business continuity and disaster recovery plans in order to define the appropriate procedures to be followed in the case of events that cause a significant deterioration or interruption of services, in order to preserve continuity.

As regards the technology component, the Parent Company has always adopted stringent redundancy policies for systems and equipment necessary for the delivery of air navigation services, for which extensive maintenance is carried out in accordance with codified procedures.

The continuity of the technological component of services is also supported by specific investment plans, which seek to increase the technological development of infrastructure, aiming to increase performance in terms of reliability, safety and efficiency.

Information security

Information security is an essential element in the provision of air navigation services.

Information security is managed by a dedicated organisational structure, with the implementation and maintenance of a Security Management System certified in accordance with the ISO/IEC 27001 standard.

The confidentiality, integrity and availability of operational and corporate information are constantly monitored and guaranteed through a complex architecture of physical and logical security controls as well as internal rules and procedures. Additional security is provided through coordination with the competent civil and military authorities for the protection of operational data, in particular in the context of the National Plan for Cyber Protection and IT Security, and collaborative initiatives with the Italy's CSIRT (Computer Security Incident Response Team) and CNAIPIC (National IT Crime Centre for the Protection of Critical Infrastructure).

Market abuse

The ENAV Group manages the risk issues associated with market abuse in order to prevent and manage the possible dissemination of false or misleading information to manipulate the financial markets and to prevent the use of inside information in order to take advantage of it (so-called internal dealing). The Compliance Model comprises market abuse offenses, for whose prevention the Group has a centralised organisational and procedural architecture, accompanied by training programmes for the corporate bodies and top management as well as all other personnel in order to create the necessary culture and sensitivity regarding inside information and compliance with applicable regulations.

Compliance

The Parent Company constantly monitors potential risks engendered by the evolution of applicable legislation in order to ensure prompt compliance, in accordance with best practices, with the relevant legal and regulatory framework, taking care to constantly adjust governance and control responsibilities, processes and organisational systems.

In 2019, activities necessary for the transposition of the new regulatory requirements set out in Implementing Regulation (EU) 2017/373 for the provision of air navigation and air traffic management services were also planned and implemented.

Other important compliance issues for the Group concern the new Legislative Decree 105/2019 on the regulation of operators of essential services within the scope of national cyber security regulations.

These issues are controlled and addressed through the definition of policies and rules and, where necessary, the provision of training sessions for staff.

The ENAV Group also pays great attention to environmental issues, both with a view to regulatory compliance but also with the deployment of proactive actions aimed at limiting environmental impact in all its forms.

With this in mind, work began on the development of the Group's Environmental Management System, which is UNI EN ISO 14001 compliant. Its foundation is the environmental policy approved by the CEO. The environmental policy guidelines include the consolidation of the benefits related to atmospheric CO₂ emissions by carriers through the Flight Efficiency Plan (FEP), the adoption of green procurement processes through the application of minimum environmental criteria in procurement policies, the rational use of energy including moving towards renewable energy, and the dissemination of a culture of environmental protection among our employees through staff awareness and training projects.



In addition, the Group has established a system of employer-designated environmental officers as well as persons in charge of managing the hazardous cycle: they are called upon to implement any improvement actions identified in the periodic checks of compliance with the provisions of Legislative Decree 152/06.

Health & safety

Among the Group companies, ENAV, Techno Sky and IDS Air Nav have established Occupational Health and Safety Management Systems certified in accordance with the OHSAS 18001 standard.

Through the governance of these systems, together with centralized monitoring and constant staff training and awareness activities, compliance with applicable legislation is ensured over time.

Particular attention is also paid to measures to guarantee the safety of workers operating abroad in countries at risk (so-called “travel security”). To this end, health and safety assessments of the workplace are carried out for individual missions with the issue of specific recommendations, the definition of contingency plans for missions in non-low risk countries, the organisation of training/information sessions for workers and the planning “emergency response” services.

Institutional relations

Pursuing the ENAV Group’s strategic objectives requires constant management of institutional relations, representing corporate interests within the decision-making process in Italy’s public institutions. To this end, a proactive and reliable network of institutional relations has been developed with decision-makers, channelling documentation and position papers on issues of strategic interest for the Group. Relations with the Parliament, the Government, ministries and local public institutions are therefore constantly managed.

Human capital

The adequacy of human capital represents a critical success factor both for the operation of the services we deliver and the achievement of corporate objectives. It is preserved through specific models, processes and staff development tools, which are also helpful for mapping training needs with a view to developing skills.

The continuous improvement of technical knowledge, skills and capabilities is not just an aspect of compliance with laws and regulations at operational level, compliance with which is periodically verified by external regulators. It is also considered an opportunity for planning the overall growth of the Group, including with regard to non-regulated activities and future technological and business challenges.

For the key corporate officers, appropriate succession tables have been established on the basis of periodic internal evaluations designed to help identify high potential talent (using a variety of assessment techniques), also with a view to ensuring that skills and company positions are aligned.

Macro trends and cost governance

Divergences between actual air traffic developments and forecasts can impact the ENAV Group's ability to create value, mainly in terms of the differences that may emerge between the parameters that determine regulated revenues and the estimates made when charges were set.

The current regulatory framework already provides for compensation mechanisms for lost revenues with respect to planned levels. A system of revenue stabilisation (traffic risk sharing) has been established, based on the sharing of risk with airspace users (airlines), which can significantly limit losses due to decreases in demand of over 2%.

In line with the current Performance Plan, the Parent Company is required to provide services in compliance with the capacity targets set out in the national Performance Plan, applying an incentive system to promote high levels of operating performance. The scheme provides a symmetrical bonus/malus incentive system to promote high levels of operating performance.

Although for the second reference period (2015-2019) the target is measured at the Functional Airspace Block (FAB) level, national authorities decided that the incentive system would have local implementation, justified in part by the difficulty of identifying an incentive system directly applicable to the Blue Med FAB, which is shared between the four Member States that it covers.

The Company constantly monitors and oversees of national performance and works with the competent authorities to implement activities to leverage the significant contribution made by the Parent Company to managing the capacity of 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 governs 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.

Coronavirus risk to Group operations

The spread of the coronavirus (COVID-19) contagion around the world has left air traffic facing a rapidly evolving situation, with the suspension of flights to and from China by numerous airlines, other restrictions imposed by certain countries on flights to and from Italy and the cancellation of flights to and from Italy by certain airlines.

Faced with this scenario, the reduction in air traffic could lead to a contraction in the volumes of traffic handled, the impact of which in terms of revenues is currently still premature and it will be necessary to wait for developments in the international situation, which today is still highly uncertain.

With regard to the impact of the epidemic on health and safety of all ENAV Group personnel, the measures suggested by the competent bodies (Ministry of Health and the Institute of Health) have been adopted. More specifically, participation in training courses held outside employee's regular premises and in conferences, events and external events has been suspended, adopting, where possible, alternative methods such as, for example, video conferencing. Furthermore, as a precautionary measure all travel has been limited, with the exception of travel exclusively necessary to ensure the operational continuity of the services provided by the Group, while the company is constantly monitoring the evolution of the situation. Actions have been implemented to mitigate the effects of the limitation of staff travel, in particular international missions for commercial development plans (the so-called non-regulated market). In general, all the Group's line and staff units are actively involved in a plan to monitor short-term developments in the situation, focusing on the actual effects and risks related to COVID-19, with a view to evaluating the repercussions for the business as accurately as possible and to activating all remedial actions to protect and secure the Group's operations.

Significant events after 31 December 2019

At the end of 2019, the Spanish airport operator launched a tender for to award terminal air traffic management services for 12 medium and small-sized Spanish airports divided into three lots, with a deadline for the submission of tenders set for 3 February 2020. The value of the tender for all lots is approximately €141.6 million and the duration of the contract is 7 years, extendable for another year, and no participant can be awarded more than 2 lots.

In January 2020, as part of participation in the tender, ENAV acquired a Spanish company in the form of a *sociedad limitada unipersonal*, subsequently named ENAV España Control Aéreo, S.L.U. and submitted its bid by the deadline set in the contract notice.

The beginning of 2020 saw the price of ENAV shares reach their highest level since the listing on the stock exchange, with a closing price on 19 February 2020, of €6.145, corresponding to a market capitalization of €3.33 billion. This rising trend was abruptly interrupted with the news of the cases of COVID-19 infection in Italy announced on February 20 and in the following days. The ENAV stock was particularly hard hit by these events, as the air transport sector was among the first to have been impacted with the closure of Italy, as of February 5, with the suspension of flights to and from China. In the following weeks, with the spread of COVID-19 in Italy, an increasing number of airlines suspended flights, first to the red-zone areas of northern Italy, and then, in the week beginning 10 March to all Italian destinations. The adverse evolution of the general scenario and its repercussions for air traffic therefore prompted a sell-off of air



transport-related stocks, including ENAV, which between 21 February and 11 March 2020 lost 25.6% of its value, closing at €4.50. This negative performance affected all the main securities listed on the Italian stock exchange, with the FTSE MIB index losing 27.6% of its value over the same period. The FTSE MIB MidCap index, to which ENAV belongs, 27.7% in the same period.

Outlook for operations

The environment in which ENAV will operate during 2020 is evolving rapidly, especially in light of recent developments in the spread of COVID-19 virus contagion (the so-called coronavirus) around the world, which are creating considerable turbulence in air traffic and international markets.

The most recent forecasts from Eurocontrol, which expected air traffic in Italy to increase by 4.3% in 2020 (in terms of service units) compared with 2019, will have to be updated to reflect the duration of the COVID-19 emergency and its impact on air traffic.

This update will be linked to the presumable reduction in the volume of service units, which depends on the number of airlines involved, the duration of the emergency, the restrictions already implemented and any further measures that may be imposed by and for Italy, as well as the effects on the economy that this emergency will cause in the coming months. Nonetheless, air traffic in Italy increase in both January and February 2020 compared with the same period of the previous year.

It should also be noted that the EU charging rules to which ENAV is subject provide for traffic risk sharing mechanisms that enable the company to partially neutralize the effect of a reduction in revenues deriving from the presumed decrease in traffic.

Considering that the national and international scenario is evolving and the effects on the economy in general and on air traffic in particular are not yet quantifiable, as of 12 March 2020 the overall impact of COVID-19 cannot be estimated accurately. It will therefore be necessary to await developments in the international situation in order to be able to conduct a more precise assessment of the effects of this situation on the company's future activities, which could have a significant impact.



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

Dear Shareholders,

The Board of Directors invites you to:

- approve the financial statements at 31 December 2019 showing a profit for the year of €111,881,123.31;
- allocate 5% of the profit for the year, equal to €5,594,056.17, to the legal reserve as provided for pursuant to Article 2430, paragraph 1 of the Italian Civil Code and in the amount of €106,271,026.09 to dividends to be distributed to the Shareholders and €16,041.05 to the unrestricted reserve denominated “retained earnings”;
- to utilise €6,918,968.13 from the unrestricted “retained earnings” reserve in order to distribute, together with the profit for the year allocated as dividend, a total dividend amounting to €113,189,994.22, corresponding to a dividend of €0.2094 per share issued as at the ex-dividend date, excluding the treasury shares held as at that date.
- to pay that dividend of €0.2094 per share on 27 May 2020, with the ex-dividend date set for 25 May 2020 and the record date set for 26 May 2020.

12 March 2020

The Board of Directors



ENAV GROUP CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

ENAV Group Consolidated Financial Statements at 31 December 2019

ENAV Group consolidated financial statements	70
Consolidated statement of financial position	71
Consolidated income statement	73
Consolidated statement of other comprehensive income	74
Consolidated statement of changes in shareholders' equity	75
Consolidated statement of cash flows	76
Notes to the financial statements of the ENAV Group	77
General information	78
Form and content of the consolidated financial statements	78
Scope and basis of consolidation	80
Accounting standards	85
Use of estimates and management judgements	101
New accounting standards, interpretations and amendments adopted by the Group	105
Notes to the consolidated statement of financial position	112
Notes to the consolidated income statement	135
Other information	144
Attestation of the Chief Executive Officer and the Manager Responsible for Financial Reporting on the consolidated financial statements	160
Independent Auditor's Report on the consolidated financial statements	161



ENAV GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

ASSETS

<i>(euros)</i>	Notes	31.12.2019	of which related parties (Note 33)	31.12.2018	of which related parties (Note 33)
Non-current assets					
Property, plant and equipment	7	985,129,430	0	1,000,063,255	0
Intangible assets	8	171,567,343	0	122,368,136	0
Investments in other entities	9	63,225,238	0	60,306,404	0
Non-current financial assets	10	11,090,188	10,658,113	37,160,916	0
Deferred tax assets	11	16,683,396	0	15,793,097	0
Non-current tax receivables	12	24,858,353	0	24,858,353	0
Non-current trade receivables	13	9,612,495	0	18,447,628	0
Other non-current assets	15	16,343,893	16,481,845	22,109,549	22,109,549
Total non-current assets		1,298,510,336		1,301,107,338	
Current assets					
Inventories	14	60,690,528	0	61,000,915	0
Current trade receivables	13	213,321,419	42,798,524	268,075,849	43,689,022
Current financial assets	10	24,976,671	0	9,006,701	0
Tax receivables	12	14,804,176	0	27,099,269	0
Other current assets	15	48,114,091	32,977,328	61,617,542	35,149,610
Cash and cash equivalents	16	449,268,346	534,846	316,310,894	557,623
Total current assets		811,175,231		743,111,170	
Assets classified as held for disposal	17	1,443,517		1,463,881	
Total assets		2,111,129,084		2,045,682,389	

Consolidated statement of financial position

SHAREHOLDERS' EQUITY AND LIABILITIES

<i>(euros)</i>	Notes	31.12.2019	of which related parties (Note 33)	31.12.2018	of which related parties (Note 33)
Shareholders' equity					
Share capital	18	541,744,385	0	541,744,385	0
Reserves	18	473,373,561	0	462,563,374	0
Retained earnings/(loss carryforward)	18	19,992,565	0	18,860,841	0
Profit (loss) for the year	18	118,432,376	0	114,390,115	0
Total Group shareholders' equity	18	1,153,542,887	0	1,137,558,715	0
Non-controlling interests and reserves		2,664,000	0	0	0
Profit/(loss) pertaining to non-controlling interests		(164,235)	0	0	0
Total shareholders' equity pertaining to non-controlling interests		2,499,765	0	0	0
Total shareholders' equity	18	1,156,042,652		1,137,558,715	
Non-current liabilities					
Provisions for risks and charges	19	991,200	0	1,715,000	0
Severance pay and other employee benefits	20	52,509,423	0	52,279,812	0
Deferred tax liabilities	11	9,308,909	0	4,073,569	0
Non-current financial liabilities	21	330,784,071	0	337,252,863	0
Non-current trade payables	22	49,416,977	0	34,841,889	0
Other non-current liabilities	23	176,549,910	0	172,486,366	0
Total non-current liabilities		619,560,490		602,649,499	
Current liabilities					
Short-term portion of provisions for risks and charges	19	786,823	0	991,946	0
Current trade payables	22	138,754,198	18,303,236	126,121,713	16,291,302
Tax and social security payables	24	35,945,970	0	32,105,317	0
Current financial liabilities	21	17,169,674	0	14,923,767	0
Other current liabilities	23	142,828,020	77,515,432	131,326,186	65,100,234
Total current liabilities		335,484,685		305,468,929	
Liabilities directly associated with assets held for disposal	17	41,257		5,246	
Total liabilities		955,086,432		908,123,674	
Total shareholders' equity and liabilities		2,111,129,084		2,045,682,389	

Consolidated income statement

(euros)	Notes	2019	of which related parties (Note 33)	2018	of which related parties (Note 33)
Revenues					
Revenues from operations	25	951,766,371	12,519,473	924,584,708	13,216,213
Balances	25	(86,974,733)	0	(80,687,268)	0
<i>Total revenues from contracts with customers</i>	25	<i>864,791,638</i>		<i>843,897,440</i>	
Other operating income	26	47,121,792	35,264,279	54,939,844	35,603,567
Total revenues		911,913,430		898,837,284	
Costs					
Costs for raw materials, supplies, consumables and goods	27	(9,894,124)	(280,329)	(9,765,441)	(518,231)
Costs for services	27	(119,487,713)	(8,357,521)	(122,640,258)	(4,128,109)
Personnel costs	28	(497,118,377)	0	(481,355,966)	0
Costs for leases and rentals	27	(2,299,790)	(21,888)	(4,868,122)	(67,952)
Other operating expenses	27	(2,482,253)	0	(4,829,873)	0
Capitalisation of costs	29	31,262,239	0	31,101,091	0
Total costs		(600,020,018)		(592,358,569)	
Depreciation and amortisation	7 and 8	(139,484,935)	0	(137,829,368)	0
Writedowns/(writebacks) for impairment of receivables	13	(2,212,707)	0	(6,705,352)	0
Writedowns/(writebacks) for impairment of property, plant and equipment and intangible assets	7	(118,876)	0	(819,475)	0
Provisions	19	509,262	0	3,266,378	0
Operating income		170,586,156		164,390,898	
Financial income and expense					
Financial income	30	2,146,835	0	3,969,783	0
Financial expense	30	(6,827,037)	0	(7,349,877)	0
Exchange rate gains (losses)	30	62,061	0	187,961	0
Total financial income and expense		(4,618,141)		(3,192,133)	
Income before taxes		165,968,015		161,198,765	
Income taxes	31	(47,699,874)	0	(46,808,650)	0
Profit (loss) for the year		118,268,141		114,390,115	
<i>Pertaining to shareholders of Parent Company</i>		<i>118,432,376</i>		<i>114,390,115</i>	
<i>Pertaining to non-controlling interests</i>		<i>(164,235)</i>		<i>0</i>	
Basic earnings/(loss) per share	38	0.22		0.21	
Diluted earnings/(loss) per share	38	0.22		0.21	

Consolidated statement of other comprehensive income

<i>(euros)</i>	Notes	2019	2018
Profit (loss) for the year	18	118,268,141	114,390,115
<i>Other comprehensive income recyclable to profit/(loss):</i>			
- Differences arising from the translation of foreign financial statements	18	1,129,169	2,462,275
- Fair value of derivative financial instruments	10 and 18	95,750	(78,266)
- Tax effect of the valuation at fair value of derivative financial instruments	11 and 18	(22,984)	18,785
Total other comprehensive income recyclable to profit or loss		1,201,935	2,402,794
<i>Other comprehensive income not recyclable to profit or loss:</i>			
- fair value measurement of investments in other entities	9	1,890,725	6,668,569
- Actuarial gains/(losses) on employee benefits	18 and 20	(2,794,410)	1,404,025
- Tax effect	11 and 18	273,607	(1,737,371)
Total other comprehensive income not recyclable to profit or loss		(630,078)	6,335,223
Comprehensive Income		118,839,998	123,128,132
<i>Pertaining to shareholders of Parent Company</i>			
		119,004,233	123,128,132
<i>Pertaining to non-controlling interests</i>			
		(164,235)	0

Consolidated statement of changes in shareholders' equity

	Share capital	Legal reserve	Sundry reserves	Reserves Reserve from actuarial gains/(losses) for employee benefits	Cash flow hedges	Total reserves	Retained earnings/(loss carryforward)	Profit (loss) for the year	Total	Pertaining to non-controlling interests	Total shareholders' equity
<i>(euros)</i>											
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	0	1,119,964,922
Adoption of new standards	0	0	0	0	0	0	(341,674)	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	0	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	0	0
Dividend distribution	0	0	0	0	0	0	(100,981,153)	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)	0	(4,973,154)
Currency translation difference reserve	0	0	2,462,275	0	0	2,462,275	0	0	2,462,275	0	2,462,275
Long-Term Incentive Plan	0	0	761,642	0	0	761,642	0	0	761,642	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	0	6,275,742
- Profit (loss) for the year	0	0	0	0	0	0	0	114,390,115	114,390,115	0	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	0	1,137,558,715
Adoption of new standards	0	0	0	0	0	0	(110,885)	0	(110,885)	0	(110,885)
Balance at 1 January 2019	541,744,385	26,663,066	443,029,212	(9,086,080)	1,957,176	462,563,374	18,749,956	114,390,115	1,137,447,830	0	1,137,447,830
Allocation of net profit from the previous year	0	5,146,738	0	0	0	5,146,738	109,243,377	(114,390,115)	0	0	0
Dividend distribution	0	0	0	0	0	0	(108,000,768)	0	(108,000,768)	0	(108,000,768)
Purchase of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Currency translation difference reserve	0	0	1,129,169	0	0	1,129,169	0	0	1,129,169	0	1,129,169
Long-Term Incentive Plan	0	0	1,145,592	0	0	1,145,592	0	0	1,145,592	0	1,145,592
Sale of investments to third parties	0	0	3,946,000	0	0	3,946,000	0	0	3,946,000	2,664,000	6,610,000
Comprehensive income, of which:											
- Profit (loss) recognised directly in equity	0	0	1,493,673	(2,123,751)	72,766	(557,312)	0	0	(557,312)	0	(557,312)
- Profit (loss) for the year	0	0	0	0	0	0	0	118,432,376	118,432,376	(164,235)	118,268,141
Balance at 31 December 2019	541,744,385	31,809,804	450,743,646	(11,209,831)	2,029,942	473,373,561	19,992,565	118,432,376	1,153,542,887	2,499,765	1,156,042,652

Consolidated statement of cash flows

<i>(thousands of euros)</i>	Notes	2019	of which related parties	2018	of which related parties
A - CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (*)	16	317,716		264,275	
Net cash flow generated/(absorbed) from operating activities					
Profit (loss) for the year	18	118,268	0	114,390	0
Depreciation and amortisation	7 e 8	139,485	0	137,830	0
Net change in liabilities for employee benefits	20	(2,814)	0	(1,952)	0
Change resulting from exchange rate differences	18	39	0	(9)	0
Loss on sale of property, plant and equipment and impairment loss of property, plant and equipment and intangible assets	7 e 8	200	0	1,108	0
Other income/expense on non-cash flows	7	18	0	(764)	0
Provision for stock grant plans	28	1,146	0	745	0
Net provisions for risks and charges	19	(509)	0	(3,266)	0
Net change in deferred tax assets and deferred tax liabilities	11	(322)	0	7,949	0
Decrease/(increase) in inventories	14	689	0	451	0
Decrease/(increase) in current and non-current trade receivables	13	66,142	(4,110)	90,079	819
Decrease/(increase) in tax receivables and tax and social security payables	12 e 24	15,917	0	(8,257)	0
Change in other current assets and liabilities	15 e 23	21,125	14,588	(52,048)	(26,534)
Change in other non-current assets and liabilities	23	9,830	5,628	44,126	(22,110)
Increase/(decrease) in current and non-current trade payables	22	(27,581)	854	(22,335)	(150)
B - TOTAL CASH FLOW FROM OPERATING ACTIVITIES		341,633		308,047	
of which taxes paid		(35,159)	0	(44,395)	0
of which interest paid		(3,645)	0	(3,651)	0
Net cash flow generated/(absorbed) from investing activities					
Investments in property, plant and equipment	7	(101,759)	0	(110,258)	0
Investments in intangible assets	8	(14,557)	0	(6,718)	0
Increase/(decrease) in trade payables for investments	22	51,470	1,773	28,624	(4,868)
Sale of property, plant and equipment	7	0	0	4,500	0
Increase/(decrease) in trade receivables for investments	13	750	0	(3,000)	0
Equity investments	9	(41,126)	0	0	0
Increase/(decrease) in trade payables for equity investments	9	3,155	0	0	0
Investments in financial assets	10	9,000	0	(33,893)	0
C - TOTAL CASH FLOW FROM INVESTING ACTIVITIES		(93,067)		(120,745)	
Net cash flow generated/(absorbed) from financing activities					
New medium and long term loans	21	0	0	0	0
(Repayments) of medium and long term loans	21	(13,417)	0	(28,996)	(1,664)
Net change in short-term financial liabilities	21	(7)	0	41	0
Bond issue	21	0	0	0	0
Net change in short-term financial liabilities	21	(2,082)	0	0	0
(Increase)/Decrease in current financial assets	10	0	0	241	0
(Increase)/Decrease in non-current financial assets	10	1,196	(10,658)	740	0
Purchase of treasury shares	18	0	0	(4,973)	0
Change in Capital	18	6,625	0	0	0
Dividend distribution	18	(108,001)	(57,543)	(100,981)	0
D - TOTAL CASH FLOW FROM FINANCING ACTIVITIES		(115,686)		(133,928)	
E - Total cash flow (B+C+D)		132,880		53,374	
F - Exchange rate differences on cash		61		67	
G - CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+E+F) (**)	16	450,657		317,716	

(*) Cash and cash equivalents at the beginning of the year include €1,406 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 €1,389 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 “Company” or 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 2019, 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 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, the sale of aeronautical software solutions 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*, *software solutions* and a remaining sector defined as *other sectors*.

The Group’s consolidated financial statements for the year ended 31 December 2019 include the financial statements of ENAV S.p.A. and its subsidiaries and were approved by the Board of Directors on 12 March 2020, 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 2019 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 12 March 2020, 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 2019 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;
- *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 16 has been applied for the first time with effect from 1 January 2019.

3. Scope and basis of consolidation

Subsidiaries

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 financial statements of the subsidiaries are prepared with reference to 31 December 2019, 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:

	31.12.2019		31.12.2018	
	12-month average	at 31 December	12-month average	at 31 December
Malaysian ringgit	4.6371	4.5953	4.7642	4.7317
US dollar	1.1196	1.1234	1.1815	1.1450

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.

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.

Scope of consolidation

Compared with the previous year, the scope of consolidation at 31 December 2019 was modified by the following changes: i) the inclusion in the scope of consolidation, as from 18 July 2019, of IDS AirNav S.r.l. following the acquisition of 100% of its share capital by the Parent Company. This transaction took place following the transfer of the Air Navigation Division of IDS – Ingegneria dei Sistemi S.p.A. to IDS AirNav S.r.l. on 28 June 2019, with effect from 2 July 2019; ii) the reduction of the interest held in D-Flight S.p.A. to 60%, as from 28 February 2019, following the subscription of a capital increase with share premium by UTM System & Services S.r.l. in compliance with the obligations it had assumed in the tender process, thereby acquiring a stake of 40% in D-Flight S.p.A..

The companies included in the scope of consolidation are shown in the following table, which reports the value of their share capital at 31 December 2019 in thousands of euros and the percentage interest held:

Name	Office	Activities carried out	Currency	Consolidation Method	Share Capital	% participation	
						direct	Group
<i>Subsidiaries:</i>							
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	60%	60%
Enav Asia Pacific	Kuala Lumpur	Services	Malaysian ringgit	Line-by-line	127	100%	100%
Enav North Atlantic	Miami	Services	US dollar	Line-by-line	44,974	100%	100%
IDS AirNav S.r.l.	Rome	Services	Euro	Line-by-line	500	100%	100%
Consorzio Sicta in liquidazione	Naples	Services	Euro	Line-by-line	1,033	60%	100%

Acquisition of IDS AirNav S.r.l.

On 18 July 2019, the Parent Company completed the acquisition of 100% of IDS AirNav S.r.l., a company that develops and supports highly customisable commercial software solutions for customers in the aeronautical communications, navigation and surveillance and air traffic management sectors. More

specifically, IDS AirNav provides integrated systems for the design and validation (ground validation) of instrument flight procedures, a complete suite of applications to support AIM (Aeronautical Information Management), a system for assessing the performance of radio aids and for positioning and electromagnetic compatibility analysis of radar and communication devices.

IDS AirNav is a company established on 24 May 2019 by IDS - Ingegneria dei Sistemi S.p.A., which on 28 June transferred its “Air Navigation Italy” business unit with a net book value of €1,420 thousand to the new company. The valuation was supported by a sworn appraisal issued pursuant to Article 2465, paragraph 1 of the Civil Code, drawn up on the basis of the accounts as at 30 April 2019. The capital increase, fully paid up with the transfer of the business unit, took effect on 2 July 2019, following the entry of the company in the Company Register.

The price of acquisition was set at €41.1 million, against net assets with a carrying amount of €1.4 million. At the closing date, the price was set at €41,073 thousand, settled partially in cash in accordance with the agreements, in consideration of the mechanism providing for a subsequent price adjustment with deferral of payment until 2021. Within 60 days of the closing date, as required under the terms of the agreements between the parties, a definitive accounting statement was prepared as at 18 July 2019, from which a price adjustment in favour of the seller of €53 thousand was determined, giving rise to a final price of €41,126 thousand.

At 31 December 2019, the Parent Company had completed the purchase price allocation process, provisionally determining the fair value of the assets acquired and the liabilities and contingent liabilities assumed. The main adjustments with respect to the book value are essentially attributable to:

- the order backlog, representing contracted revenues at the reference date, which were to other intangible assets in the amount of €5,939 thousand, as determined on the basis of an assessment consistent with the income method. The useful life of the backlog is 9 years, which was estimated on the basis of the deadlines specified in the contracts existing at the date of acquisition of control;
- customer relationships, which were allocated to other intangible assets in the amount of €3,061 thousand, based on an assessment consistent with the excess earnings method. The useful life of customer relationships is 15 years, determined as the year in which 90% of the undiscounted cash flows will have been realized;
- software, which was allocated to industrial patents and intellectual property rights in the amount of €8,619 thousand, based on an assessment consistent with the relief from royalty method. The useful life of the software is 5 years and was estimated considering the technical, technological and commercial obsolescence of the identified software.

As part of the adjustments to the purchase price at the time of allocation, deferred tax liabilities of €4,917 thousand also emerged, measured with respect to the adjustments of the intangible assets from the allocation of the purchase price.

In accordance with the provisions of IFRS 3, the fair values of the assets and liabilities acquired have been determined on a provisional basis, as at the date of preparation of these consolidated financial statements, certain valuation processes had not yet been completed. These fair values may change in the 12 months after the acquisition date.

The following table summarises the determination of goodwill before and after the provisional allocation of fair values to the net assets acquired:

<i>(thousands of euros)</i>	
Net assets acquired before allocation	1,438
Adjustment for purchase price allocation	
-intangible assets	17,619
-deferred tax liabilities	(4,917)
-other adjustments	0
Net assets acquired after allocation	14,140
Cost of the transaction	41,126
Goodwill	26,986

Accordingly, the accounting situation at the acquisition date, based on a provisional allocation of the purchase price, is detailed below:

<i>(thousands of euros)</i>	Carrying amount at 18/7/2019	Purchase price allocation adjustments	Carrying amount at 18/7/2019 post allocation
Property, plant and equipment	147	0	147
Intangible assets	1,910	17,619	19,529
Other non-current assets	145	0	145
Total non-current assets	2,202	17,619	19,821
Total current assets	3,703	0	3,703
Non-current trade payables	250	0	250
Severance pay and employee benefits	231	0	231
Deferred tax liabilities	0	4,917	4,917
Total non-current liabilities	481	4,917	5,398
Total current liabilities	3,986	0	3,986
Net assets acquired	1,438	12,702	14,140
Cost of the transaction	41,126	0	41,126
Goodwill	39,688	(12,702)	26,986

4. Accounting standards

The 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 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
	Business 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.

Following the introduction of IFRS 16 with effect from 1 January 2019, the rights of use connected with long-term leases are recognised under property, plant and equipment if the lessee has exclusive control of the leased asset and the right to obtain substantially all of the economic benefits deriving from its use.

The right-of-use asset is recognised entered at a value equal to the sum of the present value of the contractual outgoing cash flows, using the rate provided for in the lease or the lessee's incremental borrowing rate as the discount rate factor.

The right-of-use asset is depreciated over the non-cancellable period of the lease, which normally coincides with its term.

For long-term car rentals, the contract is divided into a lease component, i.e. the pure rental payment, and a non-lease component for maintenance services. The lease component is included in the right-of-use asset, while the non-lease component is charged profit or loss.

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 business combinations.

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

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 regards to the way in which financial assets are managed 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.

The Group mainly recognises the categories of financial instrument indicated in points i) and iii) above.

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.

For financial assets at fair value through other comprehensive income in the form of equity instruments, at first-time application of IFRS 9, the Group irrevocably elected to recognise changes in the fair value in other comprehensive income, as these instruments met the definition of equity instrument pursuant to IAS 32 "Financial Statements: Presentation" and were 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 by 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.

The documentation prepared in accordance with IFRS 9 includes the identification of the hedging instrument, the hedged item, the nature of the risk and how the Group assesses whether the hedge relationship meets the hedge effectiveness requirements. 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 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

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 approach adopted for financial liabilities depends on their classification. More specifically, financial liabilities at fair value through profit or loss include liabilities held for trading and comprise those assumed with the intent of extinguishing them or transferring them in the short term.

Financial liabilities classified as loans and receivables, which are the most common financial liabilities held by the Group, 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.

Trade 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.

Following the entry into force of IFRS 16 as from 1 January 2019, current and non-current financial liabilities also include financial liabilities representative of the present value of lease payments to be paid to the lessor under long-term leases, with the right of use being recognized under property, plant and equipment.

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 Group has no obligation. The Group pays contributions, recognising them 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 and no provision is made.

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.

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 measured 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, such as the sale of licenses and provision of services, flight inspection, aeronautical consulting, technical and engineering services, training and other revenues. Revenues recognised over time are limited mainly to aeronautical consulting and the provision of services, including the maintenance of software solutions already sold. The sale of software licenses is recognised only after the product has been physically delivered to the customer.

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 was based on the criterion 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 the Parent Company, 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 “Balances 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 receivable/payable in respect of the balance is 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 “Balances for the year”.

For both terminal services and en-route services, the “Balances 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 “Balances 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, with initial recognition at their present value as determined by discounting them at the average interest rate at which it raises financial resources on the non-regulated market and subsequent recognition of accrued financial income/expense until their incorporation in charges.

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 additional information, the change in balance recovery plans does not involve the restatement 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 en-route traffic 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.

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.

Dividends

Dividends received from investments in other companies 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 recognised 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 only 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 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.

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 three operating segments (flight assistance services, maintenance services and AIM software solutions) coinciding with the cash generating units (CGU). A fourth operating segment of a residual nature is also present, which includes operations connected with minor activities that do not fall within the scope the main operating segments subject to monitoring.

The information for the operating segments for 2019, with the comparative figures for 2018, 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 be 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 incorporating the recognition of balances for the year, 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 for the year, 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 recognise 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 economic and 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 economic and financial plan (the "Plan"), approved on 28 February 2020 by the board of directors of Aireon and updated by Aireon management. 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 (K_e) of 15.45%, 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).

- Flight assistance services: this CGU coincides with ENAV S.p.A., 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.
- AIM software solutions: this CGU coincides with the subsidiary IDS AirNav S.r.l., whose core business is the development of software solutions for aeronautical information management and air traffic management and the provision of associated commercial services, for a range of customers in Italy, Europe and around the world.

Management conducted impairment testing of the goodwill generated by the business combinations, i.e. the acquisition of 100% of the share capital of Techno Sky, whose goodwill was allocated entirely to the Maintenance Services CGU, and the acquisition of the 100% of the share capital of IDS AirNav, whose goodwill was allocated to the AIM Software Solutions CGU.

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.

For both the Maintenance Services CGU and the AIM Software Solutions CGU, the discounted cash flows refer to a time horizon of 5 years (2020 - 2024) and are taken from the economic and financial plan approved by their Boards of Directors and by the Parent Company on 18 February 2020, taking due account of the approved budget for 2020. 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 for the Maintenance Services CGU and the AIM Software Solutions CGU:

- definition of NOPAT (Net Operating Profit After Taxes) on the basis of the average for the five-year explicit forecast period (2020-2024);
- depreciation is aligned with investments to maintain 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 1.2% 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 economic and 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.

The useful life of the intangible assets identified as a result of the IDS AirNav PPA was determined in accordance with the criteria used in the assessment of the fair value of the net assets acquired, as explained in section “*Acquisition of IDS AirNav S.r.l.*”.

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 and 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 2019 are in consistent with those used for the preparation of the consolidated financial statements at 31 December 2018, with the exception of the adoption of the new IFRS 16, whose amendments and interpretations are effective as from 1 January 2019. A number of other amendments and interpretations were applied for the first time in 2019 but did not have an impact on the consolidated financial statements. The Group has not opted for early adoption of any new standard, amendment or interpretation issued but not yet in force.

Impact of the adoption of new accounting standard applicable from 1 January 2019

The effects associated with the first-time adoption of the new accounting standard IFRS 16, applicable from 1 January 2019, on the Group's consolidated financial statements are discussed below.

IFRS 16 Leases

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. The new standard, which was endorsed on 9 November 2017, took effect as from 1 January 2019, considering that the Group did not opt for early adoption.

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.

At the commencement date of the lease, the lessee shall recognise a liability in respect of the obligation to make lease payments ("lease liability") and an asset consisting in the right to use the underlying asset over the term of the lease ("right-of-use asset"). The lessee shall also recognise the interest accruing on the lease liability separately from the depreciation of the right-of-use asset.

The lessee shall have to remeasure the lease liability under certain circumstances, such as a change in the lease term or a change in the value of future payments due to a change in an index used to determine such payments. In general, the remeasurement of the lease liability entails an adjustment to the right-of-use asset.

With regard to the recognition of leases in the lessee's statement of financial position, the standard provides for two types of exemption: low-value leases and leases with a term of 12 months or less.

Summary of impacts of first-time adoption at 1 January 2019

The Group has adopted IFRS 16 using the modified retrospective method, with the date of initial application as at 1 January 2019. Under this approach, the standard is applied retrospectively with the cumulative effect of initial adoption recognised at the date of initial application. The Group has also elected to use of a number of practical expedients for leases that at the date of initial application have a term of 12 months or less and for those with a low-value underlying asset, for which the related costs continue to be charged to profit or loss without recognising the right of use under assets.

The ENAV Group has leases of the following contractual types: rental contracts for buildings and secondary and/or strategic sites, vehicles used by managers, vehicles used by operating personnel at airport sites and vehicles for use by the heads of certain operating sites, in addition to other minor types of contract. With regard to the definition of the term of a lease, the Group has considered the non-cancellable period, taking account of the presence of any tacit and/or explicit extensions and/or renewals and the probability that they will be exercised in order to determine the effective term of a lease. In determining the rights of use in respect of car lease payments, the Group has considered only the lease components (pure lease), where the non-lease component (maintenance services) continues to be charged to profit or loss. The Group has also used the incremental borrowing rate where it is not possible to readily determine the interest rate implicit in the lease.

The effects of the application of IFRS 16 by the Group as from 1 January 2019 is reported below:

<i>(thousands of euros)</i>	31.12.2018	IFRS 16	01.01.2019
Non-current assets			
Property, plant and equipment	1,000,063	10,075	1,010,138
Intangible assets	122,368	0	122,368
Equity investments	60,306	0	60,306
Non-current financial assets	37,161	0	37,161
Other non-current assets	81,209	0	81,209
Total non-current assets	1,301,107	10,075	1,311,182
Total current assets	743,111	0	743,111
Assets held for sale	1,464	0	1,464
Total assets	2,045,682	10,075	2,055,757

<i>(thousands of euros)</i>			
Shareholders' equity	1,137,559	(111)	1,137,448
Non-current liabilities			
Non-current financial liabilities	337,253	7,413	344,666
Other non-current liabilities	265,396	0	265,396
Total non-current liabilities	602,649	7,413	610,062
Current financial liabilities	14,924	2,773	17,697
Other current liabilities	290,545	0	290,545
Total current liabilities	305,469	2,773	308,242
Liabilities held for sale	5	0	5
Total liabilities and shareholders' equity	2,045,682	10,075	2,055,757

At 31 December 2018, the Group had contractual positions qualifying as operating leases, with the recognition in profit or loss of rental/lease costs under costs for leases and rentals in accordance with IAS 17, while it did not hold assets under finance leases.

The overall effect on the shareholders' equity of the ENAV Group at 1 January 2019 of the adoption of IFRS 16 was a negative €111 thousand, due to an increase in property, plant and equipment as of 1 January 2019 deriving from the recording of rights of use among in the amount of €10,075 thousand and the recognition of financial liabilities, representing liabilities in respect of lessors, amounting to €10,186 thousand.

The assets recognised on first-time adoption are attributable to the lease of the registered and operational headquarters of the subsidiary Techno Sky, to the lease contracts for the secondary offices of the Parent Company and to the lease contracts for the operational headquarters of Enav Asia Pacific, for a total of €8,314 thousand. The Group has also recognised rights of use in respect of long-term car rental agreements for the managers and operating personnel of the Parent Company and Techno Sky totalling €1,761 thousand. The following table reconciles the value of minimum future payments on non-cancellable operating leases and the balance of lease liabilities at 1 January 2019.

(thousands of euros)

Payments for non-cancellable leases at 31 December 2018	11,497
Discounting effect a 1 January 2019	(512)
Exclusion of exempt leases	(799)
Lease liabilities at 1 January 2019	10,186

During 2019, the Group recognised depreciation charges on right-of-use assets in the amount of about €2.3 million and financial expense of around €0.1 million, while costs for leases and rentals declined by €2.2 million. These effects had a positive impact on consolidated EBITDA.

These financial effects are mainly attributable to the right-of-use assets recognised on first-time adoption as at 1 January 2019, while other circumstances arising during 2019 increased the value of rights of use, including the renegotiation of the lease on the headquarters of the subsidiary Techno Sky, which led to the recognition of €823 thousand from remeasurement of the asset and, residually, the recognition of vehicle leases by the Parent Company and Techno Sky, and €80 thousand from the recognition of the renewal of the lease on the building housing the offices of the Malaysian subsidiary Enav Asia Pacific.

During 2019, the Group made payments to lessors of about €2.0 million, while new liabilities recognised during the period amounted to €1 million.

New accounting standards, interpretations and amendments taking effect as from 1 January 2019 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 2019 with no impact on the Group's consolidated financial statements at 31 December 2019:

- *Annuals Improvements to IFRS standards 2015-2017 Cycle* – issued on 12 December 2017 and endorsed on 14 March 2019. The document contains formal amendments and clarifications of existing standards. More specifically, several amendments were introduced to the following standards:
 - ✓ *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.
- *Amendments to IAS 19 - Plan amendment, curtailment or settlement* – issued on 7 February 2018 and endorsed on 13 March 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.
- *Amendments to IAS 28 - Investments in associates and joint ventures* – issued on 12 October 2017 and endorsed on 8 February 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).
- *IFRIC 23 - Uncertainty over income tax treatments* – issued on 7 June 2017 and endorsed on 23 October 2018. 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. A Group-level analysis found no sources of uncertainty that would require the application of this interpretation. 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.
- *IFRS 9 - Prepayment features with negative compensation* – issued on 12 October 2017 and endorsed on 22 March 2018. The aim of amendments is to address the issue of the classification of particular categories of financial assets with 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.

New accounting standards, interpretations and amendments taking effect for periods after 31 December 2019 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 that ending 31 December 2019:

- *Amendment to references to the conceptual framework in IFRS standards* – issued on 29 March 2018 and endorsed on 29 November 2019. The new IFRS conceptual framework will replace the framework issued in 1989, already partly revised in 2010. The new framework will be applicable 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 and endorsed on 29 November 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 as from 1 January 2020 and early adoption is permitted.

- *Amendment to IFRS 3 Business combinations* – issued on 22 October 2018, with endorsement advice and the ARC vote issued in 2019. Endorsement is 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 IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform*, issued on 26 September 2019 and endorsed on 15 January 2020. The amendments concern issues affecting financial reporting in the periods preceding the replacement of an existing benchmark index with an alternative interest rate. These amendments provide guidance about the highly probable and forward-looking assessments required by IFRS 9 and IAS 39 for hedging relationships which are impacted by the uncertainties of the IBOR reform. For the same reason, the amendments provide indications concerning retrospective assessment in accordance with IAS 39. The exceptions described in the amendments only apply to hedging relationships directly affected by the uncertainties of the IBOR reform. The amendments will take effect as from 1 January 2020 and early adoption is permitted.
- *Amendment to IAS 1 - Presentation of Financial Statements - Clarification of Liabilities as Current or Non-current*, issued on 23 January 2020. The amendments clarify the requirements for the classification of liabilities as current or non-current. More specifically:
 - the conditions at the end of the reference period are those that should be used to determine if there is a right to defer settlement of a liability;
 - classification is unaffected by management's expectations concerning events after the reporting date, for example, in the case of breach of an agreement or early settlement;
 - it clarifies the circumstances the represent settlement of a liability.The amendments will take effect, subject to endorsement, as from 1 January 2022.

Notes to the consolidated statement of financial position

7. Property, plant and equipment

The table below shows changes in property, plant and equipment at 31 December 2019 compared with the previous year.

<i>(thousands of euros)</i>	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
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
Increases	16,286	63,989	12,754	5,400	101,759	200,188
Increases for right-of-use assets - cost	10,792	0	0	2,932	0	13,724
Increases for right-of-use assets - accumulated depreciation	(1,610)	0	0	(1,013)	0	(2,623)
Disposals - cost	(263)	(2,608)	(4,255)	(5,226)	0	(12,352)
Disposals - accumulated depreciation	195	2,604	4,214	5,191	0	12,204
Change in scope of consolidation	7	30	0	210	0	247
Reclassifications	0	(28)	(45)	0	(98,130)	(98,203)
Impairment losses	0	(119)	0	0	0	(119)
Depreciation	(20,908)	(87,666)	(11,563)	(7,863)	0	(128,000)
Total changes	4,499	(23,798)	1,105	(369)	3,629	(14,934)
Cost	544,223	1,952,605	318,585	318,098	198,106	3,331,617
Accumulated depreciation	(241,744)	(1,539,583)	(270,651)	(294,510)	0	(2,346,488)
Net book value at 31.12.2019	302,479	413,022	47,934	23,588	198,106	985,129

There was a net decrease in property, plant and equipment in the year of €14,934 thousand as a result of the following events:

- depreciation for the year of €128,000 thousand (€129,281 thousand in 2018), of which €2,262 thousand in respect of rights of use;
- an increase for right-of-use assets, recognised in accordance with IFRS 16, amounted to €11,101 thousand and regard the lease of the Group's offices and company cars, with a net value at 1 January 2019 of €10,075 thousand. During the year, right-of-use assets mainly increased due to the modification of the lease contract of the subsidiary Techno Sky, which provided for the lease of other areas and extended the term until 2024;
- increases in property, plant and equipment totalling €200,188 thousand, of which €98,429 thousand relating to investments that entered service during the year. These include: i) the new tower architecture for the Milan Malpensa airport, which includes the electronic flight strip system, the new interface for displaying the airport radar surveillance system and a new surveillance data fuser, i.e. the part of the system that processes and decides which is track is the best to display on the radar screen.

All the essential systems for tower operations have been unified and integrated into 4 monitors; ii) the modernisation and upgrade of the VCS (Voice Communication System) for various airport sites; iii) the new power plant at the Catania airport; iv) the upgrade of meteorological systems to ICAO amendment 74 at various airport sites, including Rome Fiumicino airport; v) 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 and the acquisition of the associated tool; vi) infrastructure maintenance across the entire country; vii) modernisation of radio aid systems at various airports sites; viii) the new surface movement radar at the Milan Malpensa airport; and ix) evolutionary maintenance on various systems. Increases of €101,759 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; iii) the construction of the technical area of the Genoa airport; iv) the modernisation and upgrading of airport sound recording systems; and v) the new tower and technical area of the Treviso airport.

- the decreases due to reclassifications totalling €98,130 thousand, mainly regarding investment projects that were completed and entered service during the year, with classification to a specific account, amounting to €98,429 thousand, as well as €379 thousand for the reclassification of certain components of operating systems in inventories for replacement parts. The item increased by €654 thousand following the reclassification of assets classified under intangible assets under development;
- writedowns of property, plant and equipment amounting to €119 thousand in respect of certain assets that are no longer considered usable.

Note that part of the investments, with a historical cost of €290,541 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 €9,023 thousand.

8. Intangible assets

Intangible assets amounted to €171,567 thousand at 31 December 2019, an increase of €49,199 thousand on the previous year, as reported in the following table:

<i>(thousands of euros)</i>	Industrial patent and intellectual property rights	Other intangible assets	Assets under development	Goodwill	Total
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
Increases	10,358	0	14,557	0	24,915
Disposals	0	0	0	0	0
Change in scope of consolidation	9,826	9,000	970	26,986	46,782
Reclassification	0	0	(11,012)	0	(11,012)
Impairment losses	0	0	0	0	0
Amortisation	(11,090)	(396)	0	0	(11,486)
Total changes	9,094	8,604	4,515	26,986	49,199
Cost	171,023	11,085	44,649	93,472	320,229
Accumulated amortisation	(146,181)	(2,481)	0	0	(148,662)
Net book value at 31.12.2019	24,842	8,604	44,649	93,472	171,567

The change in the year is mainly attributable to the change in the scope of consolidation with the assets contributed by IDS AirNav, acquired in July 2019, in the amount of €2,176 thousand, and the allocation of the purchase price of the company in the total amount of €44,605 thousand, of which €8,619 thousand allocated to industrial patents and intellectual property rights as they regard software solutions, €9 million to other intangible assets comprising customer relationships and the order backlog and €26,986 thousand to goodwill.

Increases totalled €24,915 thousand (€16,238 thousand at 31 December 2018), of which €10,358 in respect of investment projects completed and entering service during the year, including in particular licenses for operating and management system and the technology platform for managing Unmanned Aerial Vehicles Traffic Management (UTM) system, and €14,557 thousand for projects under development in 2019, most of which entered service in the same year.

Decreases in intangible assets of €11,012 thousand include €10,438 thousand for investment projects completed and entering service that were classified to a specific account and €654 thousand from the reclassification of assets under property, plant and equipment.

Goodwill includes €66,486 thousand in respect of 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 is entirely allocated to the Maintenance Services CGU, coinciding with the legal entity Techno Sky S.r.l.. At 31 December 2019, in application of methodology in IAS 36 Impairment of assets, the goodwill 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. It is noted that Intangible Asset with indefinite useful life have not been allocated to the mentioned CGU. In determining recoverable value, reference was made to value in use. The discount rate used is a WACC of 8.4% with a growth rate of operating cash flows in nominal terms, after the forecast for the explicit period, equal to 1.2%, consistent with the revised growth forecasts for Italy.

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 2020-2024 financial plan prepared by the subsidiary, which reflect both economic and financial conditions in the market, taking account of the budget already approved by Techno Sky's management and the Parent Company on 18 February 2020.

The plan shows moderate overall growth in the reference period (CAGR 1.9%) due to a general increase in activities to be carried out on the non-regulated market, which in 2019 was impacted by the considerable socio-political instability in North Africa, which slowed work already contracted in Libya, and an increase in revenues from the Parent Company, which reflects the benefits generated by the renewal of the global maintenance contract with a revised the mix of rates and services. With moderate revenue growth, costs are broadly stable over the plan horizon, producing more rapid growth in EBITDA than in overall revenues. 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 Strategic Marketing 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.

In order to verify the robustness of the value in use of the CGU, sensitivity analyses were conducted for the main drivers (the growth rate g and WACC), which found that value was fully consistent with the carrying amount.

Goodwill also includes the positive difference between the acquisition value of the subsidiary IDS AirNav S.r.l. and the current value of net assets, and is representative of future economic benefits. This value, identified after purchase price allocation process in the amount of €26,986 thousand, has been allocated in full to the AIM Software Solutions CGU, coinciding with the legal entity IDS AirNav.

At 31 December 2019, in application of methodology in IAS 36 Impairment of assets, the goodwill 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 14.5% with a growth rate of operating cash flows in nominal terms, after the forecast for the explicit period, equal to 1.2%, consistent with the revised growth forecasts for Italy.

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 2020-2024 financial plan prepared by the subsidiary, taking account

of the budget for 2020 already approved by IDS AirNav's management and the Parent Company on 18 February 2020. The plan shows good revenue growth in the reference period, driven by forecast growth in sales and a slight increase in costs. Costs for the period are low, due in part to the mix of revenues, which are mainly generated by the sale of software licenses rather than the provision of services (such as training and consulting).

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 Strategic Marketing structure. 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 €5 million.

For the purposes of the sensitivity analysis, an increase in the WACC of 0.5% was assumed while maintaining the growth rate at 1.2%. Headroom was positive at €2.9 million. Assuming an increase in the WACC of 0.5% and a zero growth rate, headroom remains positive at €2.1 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 2019, investments in other entities amounted to €63,225 thousand (€60,306 thousand at 31 December 2018), an increase of €2,919 thousand compared with the previous year, associated entirely with the investment in Aireon LLC, which reflects the adjustment of the investment to fair value and the adjustment of the investment at the year-end exchange rate. The investment in Aireon LLC was therefore registered at €63.1 million and the stake held by the Group is equal to 9.1%, which will rise to 11.1% following execution of the redemption clause, which will not give rise to costs for the Company.

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 acquisition in mid-2018 of the investee's equity by NATS, information that is strongly indicative of the fair value attributable to the investment. Additional de-risking events have occurred, including the signing of new contracts, completion of the satellite constellation and the progressive transition from the pre-operational phase to actual operations.

The estimation of the fair value was based on information in the 2019-2033 financial plan ("Plan"), updated in February 2020 by the Board of Directors of Aireon: the time horizon over which the cash flows were

projected (2020-2033) takes account of the start of the operational 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.

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 2022, 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 15.45%, calculated using the Capital Asset Pricing Model (CAPM) method. The terminal value was estimated assuming a 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 \$70.8 million, an increase compared with the carrying amount at 31 December 2018 of about \$1.9 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 in the Ke from 15.45% to 15.94% and maintaining a growth rate of 2%, the recoverable value of the investment would fall to \$67.8 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 2019, ENAV received a dividend of €417 thousand (€500 thousand in 2018).

10. Current and non-current financial assets

Current and non-current financial assets amounted to €24,977 thousand and €11,090 thousand, respectively, an overall reduction of €10,101 thousand on 31 December 2018. The item breaks down as follows:

	31.12.2019			31.12.2018			Change		
	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
<i>(thousands of euros)</i>									
Financial assets at amortized cost	24,967	10,658	35,625	9,001	36,811	45,812	15,966	(26,153)	(10,187)
Other financial assets	0	347	347	0	350	350	0	(3)	(3)
Derivative financial instruments	10	85	95	6	0	6	4	85	89
Total	24,977	11,090	36,067	9,007	37,161	46,168	15,970	(26,071)	(10,101)

Current financial assets increased by a net €15,970 thousand, mainly reflecting the classification under the aggregate of two BTP government bonds recognised at amortised cost, with a total nominal value of €25 million falling due on 15 October 2020 and 1 November 2020 respectively. The increase was partly offset by the expiry of a 1-year time deposit in December 2019 accruing annual interest of 0.30%.

Non-current financial assets amounted to €11,090 thousand, a decrease of €26 million attributable to the classification of the two BTP government bonds under current assets in the amount of €24.9 million and the decrease in the financial receivable due from the company from which the business unit transferred to Techno Sky, reflecting reimbursements obtained in respect of payments and advances on severance pay disbursed by Techno Sky to its employees in the amount of €1.2 million. 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. Finally, €85 thousand of the increase is attributable to the fair value measurement of a financial instrument obtained by ENAV to hedge the exposure to adverse changes in the euro/dollar exchange rate. 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.

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.

(thousands of euros)	31.12.2018		Incr./decr. through profit or loss		Incr./decr. through OCI		Change scope of consolidation	31.12.2019	
	Temporary differences	Deferred tax assets / liabilities	Temporary differences	Deferred tax assets / liabilities	Temporary differences	Deferred tax assets / liabilities		Deferred tax assets / liabilities	Temporary differences
Deferred tax assets									
Taxed provisions	27,571	6,617	(551)	(133)	0	0	0	27,020	6,484
Write-down of inventories	9,566	2,296	339	81	0	0	0	9,905	2,377
Discounting of receivables	272	66	(137)	(33)	0	0	0	135	33
Tax effect of IFRS conversion provision	549	152	(253)	(61)	0	0	0	296	91
	1,093	281	0	0	2,794	671	0	3,887	952
Non-deductible portion of severa	186	45			0	0	0	186	45
Fair value of derivatives	4	1	0	0	0	0	0	4	1
Other	22,181	6,334	2,238	367	0	0	0	24,419	6,701
Total	61,422	15,792	1,636	221	2,794	671	0	65,852	16,684
Deferred tax liabilities									
Other	5,008	1,202	747	180	0	0	0	5,755	1,382
Discounting on debts	568	137	317	76	0	0	0	885	213
Tax effect of IFRS conversion	2,401	715	(85)	(28)	0	0	0	2,316	687
Fair value of investment	6,669	1,400	0	0	1,891	397	0	8,560	1,797
Fair value of derivatives	2,580	619	0	0	96	23	0	2,676	642
PPA	0	0	(1,184)	(330)	0	0	4,917	0	4,587
Total	17,226	4,073	(205)	(102)	1,987	420	4,917	20,192	9,308

The change in the year in deferred tax assets and deferred tax liabilities, which have a balance at the end of 2019 of €16,684 thousand and €9,308 thousand, respectively, is attributable to the following factors:

- the utilisation and recognition of new taxable risk provisions and the provision for doubtful accounts as a result of the circumstances discussed in Notes 13 and 19;
- 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 2019;
- the recognition of employee severance pay in accordance with the actuarial method, which produced an actuarial loss recognised in other comprehensive income;
- the measurement at fair value of derivative financial instruments, recognised in other comprehensive income;
- 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 recognition of deferred tax assets in respect of the loss for the year of the subsidiary D-Flight;
- the recognition of deferred tax liabilities connected with the purchase price allocation of the subsidiary IDS AirNav.

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 prudent to classify this receivable under non-current assets.

Current tax receivables amounted to €14,804 thousand and include the receivables shown in the following table.

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Receivables from tax authorities for VAT	14,414	20,363	(5,949)
IRES receivable	0	6,232	(6,232)
IRAP receivable	58	235	(177)
Other current tax receivable	332	269	63
Total	14,804	27,099	(12,295)

Receivables from tax authorities for VAT amounted to €14,414 thousand, a decline of €5,949 thousand that mainly reflected the collection of the VAT receivable for which the Parent Company had requested reimbursement regarding the 2017 tax year, for a total of €7 million.

The **IRES receivable** was eliminated in the year as the IRES liability for 2019 was greater than the receivable recognized 2018, entirely accounted for by the Parent Company.

The **IRAP receivable** showed a balance of €58 thousand, equal to the difference between payments on account during the year and the tax liability of €8,196 thousand recognised in 2019 by the Group.

13. Current and non-current trade receivables

Current trade receivables amounted to €213,321 thousand and non-current trade receivables amounted to €9,613 thousand, both decreasing compared with the previous year, as detailed in the following table:

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Current trade receivables			
Receivables from Eurocontrol	152,851	150,841	2,010
Receivables from the Ministry for the Economy and Finance	12,114	13,076	(962)
Receivables from the Ministry of Infrastructure and Transport	30,000	30,000	0
Receivables from others	31,526	22,825	8,701
Balance receivables	16,098	80,089	(63,991)
	242,589	296,831	(54,242)
Bad debt provisions	(29,268)	(28,755)	(513)
Total	213,321	268,076	(54,755)
Non-current trade receivables			
Receivables from customers	1,480	2,214	(734)
Balance receivables	8,133	16,234	(8,101)
Total	9,613	18,448	(8,835)

Receivables from Eurocontrol refers to the fees in respect of en-route and terminal revenues not yet received as of 31 December 2019, the majority of which is not yet due, amounting respectively to €106,877 thousand (€106,226 thousand at 31 December 2018) and €45,974 thousand (€44,615 thousand at 31 December 2018), gross of the provision for doubtful accounts. The increase for the year of €2,010 thousand despite broadly no change in the amount not yet due, reflects receivables from airlines that are bankrupt and airlines that pay late. The receivable from Eurocontrol, net of the portion directly attributable to the provision for doubtful accounts, amounted to €133,816 thousand (€132,152 thousand at 31 December 2018).

Receivables from the Ministry for the Economy and Finance (MEF) of €12,114 thousand is entirely accounted for by the en-route and terminal exemptions recognised in 2019, a decrease of €962 thousand compared with the previous year, reflecting a decline in service units in 2019. The receivable in 2018 of €13,076 thousand was offset, after approval of the 2018 financial statements, with the payable to the Italian Air Force for the collections in respect of the en-route charges of €65,100 thousand, which left a payable of €52,024 thousand due to the MEF, which was paid in November 2019.

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 December, €30 million recognised in 2018 were received.

Receivables from others show a net increase of €8,701 thousand compared with the previous year, mainly reflecting receivables of €10.5 million of IDS AirNav following its consolidation. They regard invoices issued in the final months of the year to customers in various geographical areas. In December 2019, a receivable

in litigation was closed in respect of a management company which also held liability positions, allowing the parties to reach a settlement.

The receivable recognized under receivables from customers falling due after 12 months amounting to €1,480 thousand regards the receivable due from Alma Mater Studiorum - University of Bologna, which purchased the Academy building complex in 2018, with part of the price deferred in four annual instalments of €750 thousand on 28 June each year. The first instalment was paid in 2019 and that falling due on 28 June 2020 was classified under current receivables, while the remaining two instalments are recognized under receivables falling due after 12 months, net of discounting effects. 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 **bad debt provisions** amounted to €29,268 thousand, with changes in 2019 breaking down as follows:

<i>(thousands of euros)</i>	31.12.2018	Increases	Decreases		31.12.2019
			Utilisations	Cancellations	
Bad debt provisions	28,755	4,303	(2,399)	(1,391)	29,268

The increase in the year in the bad debt provisions both reflected positions written off following the bankruptcy of a number of European air carriers and the assessments required by the new accounting standard for past due and uncollected positions for which various recovery initiatives are in progress. The utilisation of €2,399 thousand refers to receivables prudentially written down in previous years and collected during 2019, while €1,391 thousand regards the writeoff of receivables, mainly in the Eurocontrol area, which does not affect the right to recover the receivable.

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

Receivables for balances amounted to €24,231 thousand net of the discounting effect (€96,323 thousand at 31 December 2018), a net decrease of €72,092 thousand reflecting the recovery of balances in 2019 charges and the recognition of €80,362 thousand in profit or loss and the registration of positive balances accrued during the year in the amount of €8,133 thousand. That amount is classified under non-current receivables as it will be recovered in subsequent years in accordance with the Performance Plan.

14. Inventories

Inventories, which are mainly represented by spare parts, amounted to €60,691 thousand net of provisions for doubtful accounts, a decrease of €310 thousand on the previous year. Changes during the year break down as follows:

<i>(thousands of euros)</i>	31.12.2018	Increases	Decreases	31.12.2019
Bonded inventory	64,966	3,371	(2,972)	65,365
Direct inventory	4,859	852	(478)	5,233
Flight inspection inventory	743	0	(743)	0
	70,568	4,223	(4,193)	70,598
Allowance for inventory losses	(9,567)	(1,317)	977	(9,907)
Total	61,001	2,906	(3,216)	60,691

The increases of €4,223 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 systems, telecommunications, meteorological systems and lighting aids. Part of the increase, equal to €379 thousand, was attributable to parts of systems classified to inventories from property, plant and equipment. The decreases of €4,193 thousand, gross of the inventory loss provision, reflected both the use of spare parts in operating systems and the elimination from the radio aid inventories of flight inspection equipment that could no longer be used in operations.

The provision for inventory losses increased by €1,317 thousand for replacement parts that became obsolete as they were designed for plant no longer in use and decreased by €977 thousand as a result of the disposal of spare parts already written down in previous years.

15. Other current and non-current assets

Other current assets amounted to €48,114 thousand and other non-current assets totalled €16,344 thousand, both increasing compared with the previous year.

The item breaks down as follows:

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Other current receivables			
Receivables from government entities for capital grants	32,977	34,839	(1,862)
Receivables from personnel	3,544	3,707	(163)
Receivables from various entities for projects funded	9,560	21,595	(12,035)
Accruals and deferrals	1,193	1,098	95
Other receivables	4,173	3,403	770
	51,447	64,642	(13,195)
Provision for doubtful accounts	(3,333)	(3,024)	(309)
Total	48,114	61,618	(13,504)
Other non-current receivables			
Receivables from government entities for capital grants	16,344	22,110	(5,766)
Total	16,344	22,110	(5,766)

Receivables from government entities for capital grants decreased by €7,628 thousand compared with 31 December 2018, mainly due to the collection of grants under the 4-Flight investment project at the Brindisi

Area Control Centre in the amount of €8.2 million. The decrease in this receivable, which is recognized under other non-current receivables, reflects the assignment of a number of investment projects that had not yet begun in 2018, with the consequent recalculation of the discounting and estimated recovery times.

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 (€2,745 thousand) regards expense advances paid to former employees of the Parent Company, already investigated by judicial authorities and prudently written down in previous years. In 2019, €279 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 €9,560 thousand, shows a net decrease of €12,035 thousand mainly due to the collection of the interim payment on projects financed under the Connecting Europe Facility (CEF) calls for 2014 and 2015 in the amount of €15.5 million and to the recognition of the receivable in respect of the CEF call for 2016 project in the amount of €3.2 million following the reporting of the accounts in 2019 in addition to the registration of the share co-financed as part of the activities performed by the Group under the SESAR 2020 project.

Prepaid expenses amounted to €1,193 thousand, a net increase of €95 thousand, mainly reflecting the contribution of IDS AirNav in respect of costs invoiced in advance pertaining to the following year in the amount of €328 thousand.

Other receivables amounted to €4,173 thousand, an increase of €770 thousand, compared with 31 December 2018, mainly attributable to Techno Sky.

This amount was recognized under the provision for doubtful accounts, which together with uses in respect of the recovery of receivables due from employees in the amount of €279 thousand produced an incremental change of €309 thousand recognized through profit or loss.

16. Cash and cash equivalents

The following table provides a breakdown of cash and cash equivalents at 31 December 2019.

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Bank and post office deposits	449,209	316,253	132,956
Cash and cash equivalents on hand	59	58	1
Total	449,268	316,311	132,957

Cash and cash equivalents amounted to €449,268 thousand, a net increase of €132,957 thousand compared with the previous year, reflecting not only developments in receipts and payments connected with ordinary operations, which produced a positive cash flow, but also the following main events: i) payment of the dividend of about €108 million; ii) loan repayments of €13.4 million; iii) payment to the

MEF of €52 million as the net amount of the payable for en-route receipts and the receivable for exempt flights; iv) payment to the Italian Air Force and ENAC of their share of receipts from the core business in the total amount of €23.2 million; and v) the acquisition of IDS AirNav for €41.1 million, of which about €38 million paid in 2019. These developments were partly offset by the net receipt of grants under projects financed through the 2014-2020 NOP and projects funded under the Connecting Europe Facility 2014, SESAR 2020 and other minor projects for a total of €31.3 million, by the collection of the VAT reimbursement of €7 million, by the liquidity of D-Flight and by the redemption of the expiring term deposit of €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 €1,389 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 include solely 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 2018, certain supervening events have prevented completion of the liquidation of the consortium, namely a number of relative small disputes initiated by former employees, which are likely to be resolved in the course of 2020.

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 2019 amounted to €1,444 thousand, and include tax receivables, largely accounted for by VAT credits, and cash and cash equivalents. Liabilities associated with assets held for sale at 31 December 2019 amounted to €41 thousand and regard trade payables.

18. Shareholders' equity

Consolidated shareholders' equity at 31 December 2019 amounted to €1,156,043 thousand and breaks down as follows.

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Share capital	541,744	541,744	0
Legal reserve	31,810	26,663	5,147
Other reserves	449,414	442,829	6,585
Translation reserve	7,030	5,901	1,129
IAS FTA reserve	(727)	(727)	0
Reserve for actuarial gains/(losses) for employee benefits	(11,210)	(9,086)	(2,124)
Cash Flow Hedge reserve	2,030	1,957	73
Reserve for treasury shares	(4,973)	(4,973)	0
Retained earnings/(accumulated losses)	19,993	18,861	1,132
Profit (loss) for the year	118,432	114,390	4,042
Total shareholders' equity pertaining to shareholders of the Parent Company	1,153,543	1,137,559	15,984
Non-controlling interests	2,664	0	2,664
Profit/(loss) pertaining to non-controlling interests	(164)	0	(164)
Total non-controlling interests	2,500	0	2,500
Total shareholders' equity	1,156,043	1,137,559	18,484

On 26 April 2019, the Ordinary Shareholders' Meeting called, inter alia, to approve the financial statements at 31 December 2018 resolved to allocate to the shareholders a total dividend of €0.1998 per share, in line with the dividend policy announced to investors in the prospectus for the listing of the Parent Company on the electronic stock market operated by Borsa Italiana on 26 July 2016 and valid for 2016 and subsequent years.

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 2019 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 2019, in accordance with the resolution of the Shareholders' Meeting of 26 April 2019, at the time of approval of the 2018 financial statements, 5% of ENAV S.p.A.'s profit for the year was allocated to the legal reserve in an amount equal to €5,147 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, €2.3 million for the reserve for the long-term incentive plan for the Group's management, €6.8 million in respect of the fair value measurement investments in other entities (Aireon), net of deferred taxation, and €3.9 million in respect of the equity reserve from D-Flight S.p.A..

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, which at 31 December 2019 registered a Group actuarial loss of €2,124 thousand.

The **cash flow hedge reserve** includes the impact of the measurement at fair value of hedging derivatives, which shows a net increase of €73 thousand for the year.

The **treasury share reserve** reports the value treasury shares purchased during the previous 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 net change of €1,132 thousand reflects the positive difference between consolidated net profit for 2018 and the portion distributed as a dividend, decreased by the effect of adopting IFRS 16 (€0.1 million).

Profit for the year pertaining to shareholders of the Parent Company amounted to €118,432 thousand.

On 28 February 2019, the industrial partnership initially formed by Leonardo S.p.A., Telespazio S.p.A. and IDS-Ingegneria dei Sistemi, acting through the specifically formed company UTM Systems & Services S.r.l. (as from 25 July 2019 formed by Leonardo S.p.A. and Telespazio S.p.A.), subscribed a capital increase with share premium for D-Flight S.p.A. with an investment of €6.6 million in order to acquire 40% of the company in accordance with the provisions of the tender process initiated by the Parent Company in 2016. The Parent Company retains 60% of D-Flight, which in view of the shareholders' agreement signed in concomitance with UTM's acquisition of the stake in D-Flight fully safeguards the majority shareholder. At 31 December 2019, non-controlling interests amounted to €2,500 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 €1,778 thousand, of which the portion classified in current liabilities totalled €787 thousand, and changed as follows during the year:

<i>(thousands of euros)</i>	31.12.2018	Increases	To profit or loss	Uses	31.12.2019
Provisions for disputes with personnel	1,225	268	0	(725)	768
Provisions for other pending litigation	72	55	0	0	127
Other risk provisions	1,410	0	(527)		883
Total provisions for risks and charges	2,707	323	(527)	(725)	1,778

Provisions for disputes with personnel, the short-term portion of which stood at €660 thousand, declined by a net €457 thousand during the year as a result of the settlement of disputes with the use of provisions in the amount of €725 thousand and new provisions for liabilities that could merge from labour disputes of various types. At 31 December 2019 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 €0.3 million.

Provisions for other pending litigation, classified entirely at short term, increased by €55 thousand during the year, reflecting the updated assessment of the risk in respect of a dispute with a supplier. At 31 December 2019, the estimated charges related to outstanding disputes for which Group legal counsel have deemed the risk of a loss to be possible is €1.5 million.

Other risk provisions, classified entirely under non-current liabilities, decreased by €527 thousand as the result of a reassessment of the risk exposure, which made it possible to release €527 thousand while maintaining a portion in respect of the contract for the modernisation of flight assistance systems at the Parma airport.

20. Severance pay and other employee benefits

The provision for severance pay and other employee benefits amounted to €52,509 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:

<i>(thousands of euros)</i>	31.12.2019	31.12.2018
Liabilities for employee benefits at the beginning of the year	52,280	55,636
Change in scope of consolidation	249	0
Interest cost	445	696
Actuarial (gains)/Losses on defined benefits	2,794	(1,404)
Advance payments, disbursements and other variations	(3,259)	(2,648)
Liabilities for employee benefits at the end of the year	52,509	52,280

The interest cost component of the provision, equal to €445 thousand, was recognised under financial expense. The utilisation of €2,794 thousand of the severance pay provision reflected benefits paid out to personnel leaving the Group during the year and advances disbursed to personnel who so requested.

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 2019 this calculation generated an actuarial loss of €2,794 thousand.

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

	31.12.2019	31.12.2018
Discount rate	0.77%	1.57%
Inflation rate	1.20%	1.50%
Severance pay annual increase rate	2.400%	2.625%
Expected turnover rate	4.00%	4.00%
Expected rate of advance payments	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 following provides a sensitivity analysis of the severance pay liability in alternative scenarios for the actuarial assumptions.

	Liabilities for defined benefits for Group employees	
<i>(thousands of euros)</i>	31.12.2019	31.12.2018
Turnover rate + 1%	53,214	52,226
Turnover rate -1%	53,987	52,630
Inflation rate + 0.25%	54,292	53,129
Inflation rate - 0.25%	52,884	51,720
Discount rate + 0.25%	52,462	51,302
Discount rate - 0.25%	54,741	53,573

The average duration of the liability for defined benefit plans is 10.4 years.

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) lease liabilities emerging from the application of the new IFRS 16; and iii) the bond issued by the Parent Company on 4 August 2015, with interest expense accrued for 2019 included under current liabilities.

The values at 31 December 2019 compared with those at 31 December 2018 and the associated changes are shown below:

	31.12.2019			31.12.2018			Change		
	current portion	non-current portion	Total	current portion	non-current portion	Total	current portion	non-current portion	Total
<i>(thousands of euros)</i>									
Bank loans	13,639	143,713	157,352	13,506	157,253	170,759	133	(13,540)	(13,407)
Lease liabilities ex IFRS 16	2,113	7,071	9,184	0	0	0	2,113	7,071	9,184
Bond	1,418	180,000	181,418	1,418	180,000	181,418	0	0	0
Total	17,170	330,784	347,954	14,924	337,253	352,177	2,246	(6,469)	(4,223)

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.

<i>(thousands of euros)</i>	31.12.2019		31.12.2018	
		of which with related parties		of which with related parties
(A) Cash	449,268	535	316,311	558
(B) Other cash equivalents	0	0	0	0
(C) Trading securities	0	0	0	0
(D) Liquidity (A)+(B)+(C)	449,268	535	316,311	558
(E) Current financial receivables	24,967	0	9,001	0
(F) Current financial debt	0	0	0	0
(G) Current portion of non-current debt	(15,057)	0	(14,924)	0
(H) Other current financial debt	(2,113)	0	0	0
(I) Current financial debt (F)+(G)+(H)	(17,170)	0	(14,924)	0
(J) Net current financial debt/Liquidity (D)+(E)+(I)	457,065	535	310,388	558
(K) Non-current bank loans	(143,713)	0	(157,253)	0
(L) Bonds issued	(180,000)	0	(180,000)	0
(M) Other non-current loans	(7,071)	0	0	0
(N) Non-current financial debt (K)+(L)+(M)	(330,784)	0	(337,253)	0
(O) CONSOB net financial debt (J)+(N)	126,281	535	(26,865)	558
(P) Derivatives current and non-current	95	0	6	0
(Q) Non-current financial receivables	0	0	24,901	0
(R) ENAV Group net financial debt (O)+(P)	126,376	535	(1,958)	558

Bank loans at 31 December 2019 decreased by €13,407 thousand following the repayment of loans and the effects associated with amortised cost measurement. Specifically, repayments involved the following loans:

- the repayment of two half-year instalments of the loan from the EIB in the total amount of €5,333 thousand, with the final payment falling due on 12 December 2032;

- the repayment of two half-year instalments of another loan from the EIB in the total amount of €8,084 thousand, with the final payment falling due on 19 December 2029.

The instalments of the above loans falling due in 2020 in line with the repayment plans are recognised under current liabilities in the total amount of €13,639 thousand, which includes the effect of amortised cost measurement.

At 31 December 2019, the Group had unused uncommitted short-term credit lines totalling €150.5 million, in addition to the share of the long-term EIB loan of €70 million not yet used, resulting in available liquidity of €220.5 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
Unicredit	Export advance payments	15,000	0	15,000	0	Euribor + spread
Unicredit	Financial advance payments	55,000	0	55,000	0	Euribor + spread
Intesa San Paolo	Financial advance payments	55,000	0	55,000	0	Euribor + spread
Intesa San Paolo	Acc. credit - overdraft	1,500	0	1,500	0	Euribor + spread
EIB - European Investment Bank	15-year loan	250,000	180,000	70,000	157,352	1.515/1.010
Total		400,500	180,000	220,500	157,352	

The average interest rate on bank loans in the reference period was 1.70%, slightly higher than the rate for the previous year (1.66%).

Lease liabilities under IFRS 16 include a total of €9,184 thousand in financial liabilities in respect of rights of use recognised in application of the new standard and consistent with contractual due dates. During 2019, that liability increased following the renegotiation of the lease of the subsidiary Techno Sky, which increased its amount and duration, and declined as a consequence of payments made.

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 €188.7 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.

22. Current and non-current trade payables

Trade payables amounted to €138,754 thousand, an increase of €12,632 thousand on the previous year, €4,114 thousand of which is attributable to the inclusion of IDS AirNav in the scope of consolidation in July 2019.

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Current trade payables			
Payables to suppliers	106,724	88,736	17,988
Payables for advances received for projects with EU financing	8,527	14,489	(5,962)
Balance payables	23,503	22,897	606
Total	138,754	126,122	12,632
Non-current trade payables			
Payables to suppliers	175	0	175
Payables for balances	49,242	34,842	14,400
Total	49,417	34,842	14,575

Payables to suppliers of goods and services necessary for the Group's operations show a net increase of €17.9 million, of which €4.1 million attributable to IDS AirNav referring to trade payables connected with sales orders made during the year and €14.4 million attributable to the Parent Company, reflecting the increase in invoices received in December 2019 and therefore not past due, with a consequent reduction in payments for both operating and investment contracts.

Payables for advances received for projects with EU financing, amounting to €8,527 thousand, decreased by a net €5,962 thousand compared with 31 December 2018. The item includes: i) a reduction in pre-financing for the 2016 call of the Connecting Europe Facility (€11.4 million), which following the final accounting led to the recognition of the accrued portion in profit or loss, the reclassification to deferred income of the part allocated to investment projects and the recognition of receivables from others of the amounts to be received as interim payments from the European Commission; ii) the receipt of the first pre-financing for the 2017 call of the CEF in the amount of €3.8 million; and iii) collection of pre-financing under the SESAR 2020 Wave 2 in the amount of €1.5 million.

Payables for Eurocontrol balances amounted to €72,745 thousand, of which the part classified under current payables came to €23,503 thousand and corresponds to the amount that will be charged to profit or loss in 2020 in accordance with changes in charges. The overall increase of €15 million in payables for balances at 31 December 2019 compared with the previous year mainly reflect the net effect of the registration of new balances in 2019, mainly in respect of the en-route and terminal inflation balances of €24.9 million (up €7 million on 2018), the traffic risk balance of Charging Zone 2 of €6.2 million (an increase

of €1.6 million on 2018) and balances for Eurocontrol costs of €4.5 million (down €6 million on 2018) and the recognition in profit or loss of the 2019 share, consistent with changes in charges, in the total amount of €23.5 million.

23. Other current and non-current liabilities

Other current and non-current liabilities showed an overall increase of €15,566 thousand compared with the previous year, as a result of the changes in the items reported in the following table:

<i>(thousands of euros)</i>	31.12.2019			31.12.2018			Change		
	current portion	non-current portion	Total	current portion	non-current portion	Total	current portion	non-current portion	Total
Payments on account	93,410	0	93,410	80,985	0	80,985	12,425	0	12,425
Other payables	41,260	1,027	42,287	43,037	0	43,037	(1,777)	1,027	(750)
Deferred income	8,158	175,523	183,681	7,304	172,486	179,790	854	3,037	3,891
Total	142,828	176,550	319,378	131,326	172,486	303,812	11,502	4,064	15,566

Payments on account amounted to €93,410 thousand and include €88,290 thousand in respect of the Parent Company's debt to the Italian Air Force (IAF) for the portion of accrued revenues received in 2019 for en-route and terminal services and €5,120 thousand in respect of the debt to Italian Civil Aviation Authority (ENAC) for accrued revenues concerning the same services. The net increase of €12,425 thousand for the year reflects the increase in receipts in 2019 for en-route and terminal services. During the year, the AIF was paid its accrued share for terminal services in the amount of €18.8 million, IAF payments on account for en-route services registered at 31 December 2018 were offset against the receivable due from the Ministry for the Economy and Finance (MEF), which produced a liability paid in November in the amount of €52 million and ENAC was paid the amount accrued in respect of 2018 in the amount of €4.4 million.

Other payables amounted to €42,287 thousand, a net decrease of €750 thousand compared with the previous year. On the one hand, this reflected a reduction in payables to personnel, with provisions accrued, including the liability for holiday entitlement accrued and not taken, totalling €31,239 thousand (€35,553 thousand at 31 December 2018) and, on the other, the liability recognized in respect of IDS Ingegneria dei Sistemi S.p.A. for the amount withheld to secure the acquisition of IDS AirNav S.r.l., of which €1,027 thousand falling due at more than 12 months.

Deferred income mainly refers to deferred income relating to investment projects that had received grant support, of which the current portion represents the amount that will be reversed to profit or loss in the next 12 months. In particular, the item includes: i) the Infrastructure and Networks NOP 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 or loss, of €84,145 thousand (€89,006 thousand at 31 December 2018); ii) capital grants for investments at military airports, in accordance with the provisions of

Law 102/09, amounted to €59,459 thousand (€61,672 thousand at 31 December 2018); iii) grants linked to the investment projects funded through the 2014, 2015 and 2016 calls of the CEF programme in the amount of €35,435 thousand (€24,226 thousand at 31 December 2018), increasing as a result of the final accounting of the investment projects receiving 50% funding under the 2016 call of the CEF programme.

24. Tax and social security payables

Tax and social security payables amounted to €35,946 thousand and break down as shown in the following table.

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Tax payables	17,415	10,484	6,931
Social security payables	18,531	21,621	(3,090)
Total	35,946	32,105	3,841

Tax payables showed an increase of €6,931 thousand, mainly attributable to an increase in liabilities of IRES and IRAP totalling €9.4 million, compared with the IRES credit registered in 2018 by the Parent Company. The amount also includes withholding taxes on employee remuneration, which was paid to the tax authorities in January 2020.

Social security payables declined by €3,090 thousand, reflecting the decrease in contributions on accrued personnel costs amounting to €8,371 thousand (€9,692 thousand at 31 December 2018), as well as a decreases in social security contributions on the December remuneration of employees of Techno Sky as a result of the decrease in the tax base, where, following the harmonisation of their bargaining agreement as from January 2019, the “thirteenth month” wage payment was made in November 2019, as for the Parent Company, rather than in December, as in 2018.

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 €864,792 thousand, up €20,894 thousand compared with the previous year, mainly due to an increase in revenue generated by the increase in air traffic in 2019 and to the change in the scope of consolidation, which had an impact on revenue from the non-regulated market. 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.

<i>(thousands of euros)</i>	2019	2018	Change	%
En route revenues	689,386	675,414	13,972	2.1%
Terminal revenues	231,067	222,580	8,487	3.8%
En route and terminal exemptions	12,113	13,074	(961)	-7.4%
Revenues from non-regulated market	19,201	13,517	5,684	42.1%
Total revenues from operations	951,767	924,585	27,182	2.9%
Balance	(86,975)	(80,687)	(6,288)	8%
Total revenues from contracts with customers	864,792	843,898	20,894	2.5%

En-route revenues

En-route revenues amounted to €689,386 thousand, an increase of 2.1% compared with the previous year, reflecting the increase of 6.6% 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 2018 (+9.3% in 2018 over 2017). The rise offset the decrease of 2.5% in the en-route charge applied in 2019 (€77.96 compared with €79.98 in 2018), a decrease of 4% if only the charge net of balances is considered.

Considering en-route revenues including the exempt flights component, which posted a decrease of €774 thousand as a result of the decline of 3.6% in service units during the year (-6.6% in 2018 over 2017), and the adjustment component for balances, which includes the portion recognised in the year including the effect of discounting, the portion recognised in previous years and included in charges in 2019 and, consequently, profit or loss for the same year, and the balance for changes in Eurocontrol costs, en-route revenues totalled €625,260 thousand, an increase of €11,285 thousand, as shown below:

<i>(thousands of euros)</i>	2019	2018	Change	%
En-route revenues	689,386	675,414	13,972	2.1%
En-route exemptions	9,673	10,447	(774)	-7.4%
<i>Subtotal en route revenues</i>	<i>699,059</i>	<i>685,861</i>	<i>13,198</i>	<i>1.9%</i>
En-route balances for the year	(20,007)	(12,909)	(7,098)	55.0%
Discounting of balances for the year	408	286	122	42.7%
Use of en-route balances n-2	(53,655)	(54,668)	1,013	-1.9%
<i>Subtotal balance</i>	<i>(73,254)</i>	<i>(67,291)</i>	<i>(5,963)</i>	<i>8.9%</i>
<i>En-route revenues net of balance</i>	<i>625,805</i>	<i>618,570</i>	<i>7,235</i>	<i>1.2%</i>
Balance per delta Eurocontrol costs prev. year	(545)	(4,595)	4,050	-88.1%
Total revenues from en-route operations net of balances	625,260	613,975	11,285	1.8%

The en-route balance had a negative impact totalling €73,254 thousand in respect of the part directly connected with revenues generated in the year, an increase of €5,963 thousand on 2018, and an additional negative €545 thousand in respect of the adjustment for Eurocontrol costs for 2018. The previous year, the amount recognised was equal to €5.9 million.

The negative change in balances for the year is mainly attributable to the inflation balance, which amounted to a negative €21,262 thousand (€15,278 thousand in 2018), 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 0.6% (1.6% envisaged in the Performance Plan for 2019). There was no balance for traffic risk borne by the Parent Company during the year, as 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 +1.5% (-1.25% in 2018). The balance for Eurocontrol traffic risk, determined on a cost recovery basis, was a negative €781 thousand (a positive €633 thousand in 2018), while the balance for Eurocontrol costs, which is not covered by the cost-risk mechanism, was a negative €3.9 million. Finally, thanks to the achievement of the plan target for en-route capacity, having posted 0.021 minutes of delay per assisted flight, compared with the target of 0.11 minutes per assisted flight set in the plan, the balance for the capacity bonus was recognised in the amount of €6,991 thousand (€6,859 thousand in 2018).

The use of the en-route n-2 balance accumulated in previous years and included in 2019 charges amounted to €53,655 thousand, a slight decrease compared with 2018.

Terminal revenues

Terminal revenues amounted to €231,067 thousand, an increase of 3.8% compared with the previous year, due to the increase in service units posted by the individual airports, divided by charging zones, which came to +3.6% overall (+5.1% in 2018 over 2017), compensating for the reduction in charges applied in the second and third charging zones.

In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted an increase in assisted air traffic, expressed in service units, of +1.6% (+5.7% in 2018 on 2017), with growth in international air traffic and an increase in charges of 1.81% over 2018 (€190.69 in 2019 compared with €187.30 in 2018). *Charging Zone 2*, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted a good increase in assisted air traffic, expressed in service units, of +4.3% (+5.3% in 2018 on 2017), with both national and international traffic expanding, offsetting the reduction of 2.71% in the terminal charge for 2019 to €197.56 (€203.06 in 2018). *Charging Zone 3*, which comprises 40 medium and low-traffic airports recorded an increase in assisted air traffic, expressed in service units, of +4.0% (+4.8% in 2018 on 2017), with both national and international traffic expanding, offsetting the reduction of 0.37% reduction in the terminal charge for 2019 to €318.98 (€320.18 in 2018).

Considering terminal revenues including the exempt flights component, which decreased by €187 thousand as service units declined by 9.7% (+1.0% in 2018 over 2017), and the adjustment component for balances, which includes the portion recognised in 2019 including the effect of discounting, the portion recognised in previous years and included in charges in 2019 and, consequently, profit or loss for the same year, terminal revenues totalled €220,331 thousand, up €3,925 thousand on 2018, as shown below:

<i>(thousands of euros)</i>	2019	2018	Change	%
Terminal revenues	231,067	222,580	8,487	3.8%
Terminal exemptions	2,440	2,627	(187)	-7.1%
<i>Subtotal</i>	233,507	225,207	8,300	3.7%
Terminal balances for the year	(10,104)	(8,396)	(1,708)	20.3%
Discounting of balances for the year	169	137	32	23.4%
Use of terminal balances n-2	(3,241)	(542)	(2,699)	n.a.
<i>Subtotal</i>	(13,176)	(8,801)	(4,375)	49.7%
Total revenues from terminal operations net of balance	220,331	216,406	3,925	1.8%

Terminal balances amounted to a negative €13,176 thousand, an increase of €4,375 thousand compared with 2018, mainly due to the increase in the use of the balances recognised in previous years and included in the charge in 2019 and thus recognised in profit or loss. With regard to the terminal balances for the year, we have: i) an overall negative balance of €996 thousand (a negative €792 thousand in 2018) was posted by Charging Zone 1, comprising a positive balance of €241 thousand for traffic risk, reflecting the decrease of 2.82% in service units generated in 2019 compared with the Performance Plan forecast (-2.42% in 2018), a negative inflation balance of €1,518 thousand (€1,065 thousand in 2018) and a balance for the terminal capacity bonus of €177 thousand (€86 thousand in 2018); ii) an overall negative balance of €7,753 thousand for Charging Zone 2 (a negative €5,775 thousand in 2018), reflecting the traffic balance reimbursed to carriers for the greater assisted air traffic posted in the final accounts compared with the Performance Plan forecast (+9.41%, compared with +7.0% in 2018) and the negative inflation balance of €2,197 thousand (€1,545 thousand in 2018), only partly offset by the capacity bonus of €271 thousand (€133 thousand in 2018); and iii) a negative balance for Charging Zone 3, determined on a cost-recovery

basis, of a negative €1,354 thousand (-€1,829 thousand in 2018), 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 €19,201 thousand, a 42.1% increase attributable to the revenues €10 million contributed by the subsidiary IDS AirNav S.r.l. in, which was included in the scope of consolidation from 18 July 2019. Revenues generated in the period include those from the sale of software licenses in the amount of €2.6 million and revenues from the provision of services and maintenance of products sold in the total amount of €7.4 million. These revenues were produced by projects for various customers around the world, including the €0.9 million project for the new Ndola airport in Zambia; the services provided to the Swedish service provider and the German service provider DFS, which we are supporting in an ADQ (Aeronautical Data Quality) project worth a total of €1.5 million; and licenses for the design of FPDAM flight procedures for the Russian company Azimuth in the amount of €508 thousand.

The remainder of revenues from the non-regulated market, which regard national and international radio-assistance services, training activities and consulting activities, declined during the year, mainly reflecting a decrease in work on the construction of the new control tower at the Mitiga airport in Libya and the completion of the project to restructure the airspace of the United Arab Emirates.

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

<i>(thousands of euros)</i>	2019	2018	Change	%
Revenues from non-regulated market				
Sale of licenses and delivery of services	10,014	0	10,014	n.a.
Flight inspection	2,312	2,593	(281)	-10.8%
Aeronautical consulting	3,657	4,041	(384)	-9.5%
Technical and engineering services	1,809	5,622	(3,813)	-67.8%
Training	332	248	84	33.9%
Other revenues	1,077	1,013	64	6.3%
Total revenues from non-regulated market	19,201	13,517	5,684	42.1%

26. Other operating income

Other operating income amounted to €47,122 thousand, a decrease of 14.2% on the previous year, mainly reflecting a decrease in revenue from European financing, which in 2018 included the funds released following final accounting for Connecting Europe Facility (CEF) projects under the 2014 and 2015 calls, and a decline in other revenues and income, reflecting the effect of the settlement in 2018 of a number of disputes with suppliers.

<i>(thousands of euros)</i>	2019	2018	Change	%
Capital grants	9,023	9,098	(75)	-0.8%
Operating grants	30,349	30,864	(515)	-1.7%
European funding	4,943	9,703	(4,760)	-49.1%
Other revenues and income	2,807	5,275	(2,468)	-46.8%
Total	47,122	54,940	(7,818)	-14.2%

Other operating income includes: the portion of capital grants recognised in profit or loss commensurate with the depreciation charges on the assets to which the grants refer in the amount of €9,023 thousand; ii) operating grants of €30,349 thousand, of which the majority (€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; (iii) European funding of €4,943 thousand disbursed following the submission of final accounts for a range of projects, including projects under the 2016 call of the CEF, SESAR 2020, Darwin, Blue Gns and other minor projects completed during the year; and iv) other operating revenues of €2,807 thousand, a decrease of 46.8% compared with 2018, when those revenues had included the capital gain on the sale of the Academy complex in Forlì for a total of €755 thousand and the effect of the settlement of outstanding disputes with a number of suppliers.

The following table provides a breakdown of revenues for 2019 and 2018 by geographical area:

Revenues	2019		% of	2018		% of
	revenues	revenues		revenues	revenues	
Italy	895,691	98.2%		888,408	98.8%	
EU	6,038	0.7%		994	0.1%	
Non-EU	10,185	1.1%		9,436	1.0%	
Total revenues	911,914			898,838		

(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 €134,164 thousand, a decrease of 5.6% on the previous year, reflecting a general decline in the various cost items despite the presence of the costs of IDS AirNav, which was included in the scope of consolidation in the second half of 2019. Without those costs the decline would have come to -8.6%

<i>(thousands of euros)</i>	2019	2018	Change	%
Costs for the purchase of goods	9,894	9,765	129	1.3%
Costs for services:				
Maintenance costs	17,841	20,824	(2,983)	-14.3%
Costs for Eurocontrol contributions	37,150	37,563	(413)	-1.1%
Costs for utilities and telecommunications	29,119	31,796	(2,677)	-8.4%
Costs for insurance	2,670	2,630	40	1.5%
Cleaning and security	4,675	4,606	69	1.5%
Other personnel-related costs	10,195	9,330	865	9.3%
Professional services	10,529	8,833	1,696	19.2%
Other costs for services	7,309	7,059	250	3.5%
Total costs for services	119,488	122,641	(3,153)	-2.6%
Costs for leases and rentals	2,300	4,868	(2,568)	-52.8%
Other operating expenses	2,482	4,830	(2,348)	-48.6%
Total costs for services	134,164	142,104	(7,940)	-5.6%

Costs for the purchase of goods, which were broadly unchanged on the previous year, 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.

Costs for services showed a net decrease of €3,153 thousand compared with the previous year, which was attributable to i) a decrease of 14.3% in maintenance costs associated with orders executed by Techno Sky, reflecting both a decline in activities on the foreign market and the successful settlement of a dispute, which following a final ruling led, among other things, to the cancellation of a number of contracts contested by Techno Sky, producing a positive effect of €1.3 million; ii) a reduction of 8.4% in costs for utilities and telecommunications, reflecting the decrease in costs connected with the E-NET1 network, thanks to the discount obtained from the supplier in the contract for the migration to the new E-NET2 network, and a reduction in costs for utilities as a result of the cancellation of debtor positions and the settlement of a dispute with a supplier, with an overall positive effect of €1.5 million; iii) an increase of €1.7 million in costs for professional services, reflecting both for the costs incurred in the acquisition of IDS AirNav and the contribution of the latter's costs associated with the orders executed during the year.

Costs for leases and rentals decreased by 52.8% compared with 2018, mainly due to the application of IFRS 16 as from 1 January 2019, which provides for the capitalization of costs in respect of lease payments on property and car leases as right-of-use assets under property, plant and equipment, with depreciation charges being recognized through profit or loss. The remainder regard low-value costs, short-term leases and the non-lease components of lease arrangements, which are not capitalized.

Other operating expenses amounted to €2,482 thousand, down 48.6% on the previous year, reflecting the derecognition of debtor positions no longer due, which were identified following an analysis that determined the liability did not exist, in the amount of about €1 million and a decrease in losses on receivables compared with 2018, when they had amounted to €1 million.

28. Personnel costs

Personnel costs totalled €497,118 thousand, an increase of 3.3% compared with 2018, reflecting the effects of the Parent Company's contract renewal, the harmonisation of the collective bargaining agreement at the Techno Sky subsidiary with the collective bargaining agreement for the air transport sector with effect as of 1 January 2019 and of the agreement for the 2019 summer season signed with the trade unions in April 2019 in order to ensure the management of activities in the June-September period to handle the increase in traffic, ensuring safety and on-time performance. Part of the increase, equal to €3.7 million, is due to the change in the scope of consolidation, which incorporated the personnel costs of IDS AirNav for 146 employees in effective terms and 68 on average at 31 December 2019.

<i>(thousands of euros)</i>	2019	2018	Change	%
Wages and salaries, of which:				
Fixed remuneration	280,737	278,010	2,727	1.0%
Variable remuneration	73,235	61,431	11,804	19.2%
Total wages and salaries	353,972	339,441	14,531	4.3%
Social security contributions	113,364	108,643	4,721	4.3%
Employee severance pay	23,295	22,380	915	4.1%
Other costs	6,487	10,892	(4,405)	-40.4%
Total personnel costs	497,118	481,356	15,762	3.3%

More specifically, fixed remuneration increased by a net 1%, reflecting the higher costs associated with the renewal of the collective bargaining agreement of the Parent Company, the harmonization of the collective bargaining agreement of Techno Sky and the personnel costs of IDS AirNav, partially offset by the reduction Group personnel by 102 in average terms and 65 in effective terms, excluding IDS AirNav personnel. The workforce at the end of 2019 numbered 4,195 in effective terms (4,114 in 2018) and 4,148 on average (4,182 in 2018). Including the personnel of the subsidiary IDS AirNav, the workforce expanded by 81 in effective terms and decreased by 34 on average.

Variable remuneration showed a net increase of 19.2%, reflecting not only the effects of the 2019 summer season agreement, but also i) the increase in overtime by ATC staff connected with the greater volume of air traffic handled during the year, and the longer hours worked by Techno Sky's technical staff; ii) the increase in costs connected with indemnities for holidays falling on non-business days; and iii) the increase in costs for holiday entitlement accrued and not taken owing to decline in the use of that entitlement for holidays.

Social security contributions increased by 4.3% as a consequence of wage increases connected with the factors mentioned previously, while other personnel costs fell by 40.4% due to the decrease in the cost of early retirement incentives for employees.

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

	2019	2018	Change
Executives	56	59	(3)
Middle Managers	423	404	19
Office staff	3,716	3,651	65
Final headcount	4,195	4,114	81
Average	4,148	4,182	(34)

29. Capitalised costs

Capitalised costs amounted to €31,262 thousand (€31,101 thousand in 2018), broadly in line 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 subsidiaries Techno Sky and IDS AirNav, which also drew on external resources. Activity on investment projects increased in 2019,

regarding: the installation of the new Milan Malpensa airport LAN, the modernisation and installation of airport meteorological systems compliant at various airport sites, the construction of the new tower and technical area of the Treviso airport, the configuration of the Hal system, and the implementation of systems and IT work connected with the TOC.

30. Financial income and expense

Net financial expense totalled €4,618 thousand (€3,192 thousand in 2018), reflecting financial income of €2,146 thousand, financial expense of €6,827 thousand and foreign exchange gains of €62 thousand.

The following table provides a breakdown of financial income:

<i>(thousands of euros)</i>	2019	2018	Change	%
Income from investments in other entities	417	500	(83)	-16.6%
Financial income from discounting of balances	170	1,037	(867)	-83.6%
Financial income from discounting of non-current receivables	195	0	195	n.a.
Financial income from non-current financial assets	174	9	165	n.a.
Interest income on VAT receivable pending reimbursement	192	0	192	n.a.
Other interest income	999	2,424	(1,425)	-58.8%
Total financial income	2,147	3,970	(1,823)	-45.9%

Financial income decreased by €1.8 million on the previous year, mainly due to a decline in financial income from the discounting of balances and a decrease in interest income, which in 2018 included the 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.

Financial expense amounted to €6,827 thousand, a decrease of €523 thousand on the previous year, reflecting a decline in interest expense on bank loans extinguished in 2018 and those being repaid, as well as a decrease in the interest cost on Group employee benefits, effects that partially offset the financial expense accrued on lease liabilities.

The following table provides a breakdown of financial expense:

<i>(thousands of euros)</i>	2019	2018	Change	%
Interest expense on bank loans	2,406	2,614	(208)	-8.0%
Interest expense on bonds	3,474	3,474	0	0.0%
Interest expense on employee benefits	445	696	(251)	-36.1%
Interest expense on lease liabilities	161	0	161	n.a.
Financial expense on derivatives at fair value	10	76	(66)	-86.8%
Financial expense on discounting of receivables	293	369	(76)	n.a.
Other interest due	38	121	(83)	-68.6%
Total financial expense	6,827	7,350	(523)	-7.1%

31. Income taxes

Income taxes totalled €47,700 thousand, an increase of €891 thousand. In 2018, IRES and deferred tax assets were affected by the use of taxed provisions, meaning that they were deductible for IRES purposes, with the concomitant reversal of deferred tax assets to profit or loss.

The following table provides a breakdown of current taxes:

<i>(thousands of euros)</i>	2019	2018	Change	%
IRES (Corporate tax)	39,814	30,979	8,835	28.5%
IRAP (Regional tax)	8,196	7,910	286	3.6%
Taxes from previous fiscal years	12	(30)	42	n.a.
Total current taxes	48,022	38,859	9,163	23.6%
Deferred tax assets	(221)	8,764	(8,985)	-102.5%
Deferred tax liabilities	(101)	(814)	713	-87.6%
Total current and deferred tax assets and liabilities	47,700	46,809	891	1.9%

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

The IRES tax rate for 2019 was equal to the theoretical rate of 24%, an increase on 2018, when it was influenced by the use of provisions taxed in previous years.

The IRAP tax rate for 2019 was 4.9%, in line with 2018.

<i>(thousands of euros)</i>	2019		2018	
	IRES	%	IRES	%
Income before taxes	165,968		161,199	
Theoretical tax	39,832	24.0%	38,688	24%
Effect of increases/(decreases) compared to the standard tax				
Non-deductible prior-year costs	235	0.1%	133	0.1%
IRES deduction of IRAP paid on personnel costs	(198)	-0.1%	(199)	-0.1%
Other	(589)	-0.4%	328	0.2%
Temporary differences for taxed provisions	534	0.3%	(7,971)	-4.9%
Actual IRES	39,814	24.0%	30,979	19.2%

<i>(thousands of euros)</i>	2019		2018	
	IRAP	%	IRAP	%
Income before taxes	165,968		161,199	
Theoretical tax	7,933	4.78%	7,705	4.78%
Effect of increases/(decreases) compared to the standard tax				
Other	155	0.1%	496	0.3%
Temporary differences for taxed provisions	(113)	-0.1%	(441)	-0.3%
Financial income and expense	221	0.1%	150	0.1%
Actual IRAP	8,196	4.9%	7,910	4.9%

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, in addition to the two operating segments long used for financial reporting purposes, has a new operating segment created following the acquisition of the subsidiary IDS AirNav. The segments 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.
- **AIM software solutions:** this operating segment coincides with the subsidiary IDS AirNav S.r.l., acquired in full by ENAV on 18 July 2019, whose core business is the development of software solutions for aeronautical information management and air traffic management and the provision of associated commercial and maintenance services, for a range of customers in Italy, Europe and around the world.

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 2019 and 2018.

2019

<i>(thousands of euros)</i>	Flight assistance services	Maintenance services	AIM software solutions	Other sectors	Consolidation adjustments/reclassification	ENAV Group
Revenues from third parties	896,788	1,876	10,253	2,997	0	911,914
Intersegment revenues	2,988	98,609	1,431	1	(103,029)	0
Total revenues	899,776	100,485	11,684	2,998	(103,029)	911,914
Personnel costs	(430,739)	(62,684)	(3,675)	(20)	0	(497,118)
Other net costs	(181,026)	(17,034)	(3,034)	(2,352)	100,544	(102,902)
Total operating costs	(611,765)	(79,718)	(6,709)	(2,372)	100,544	(600,020)
Depreciation and amortisation	(139,632)	(1,875)	(100)	(140)	2,262	(139,485)
Writedowns and provisions	(1,517)	(283)	(23)	0	1	(1,822)
EBIT	146,862	18,609	4,852	486	(222)	170,587
Financial income and expense	6,376	(56)	(82)	(91)	(10,765)	(4,618)
Income before taxes	153,238	18,553	4,770	395	(10,987)	165,969
Income taxes	(41,357)	(5,359)	(1,391)	354	53	(47,700)
Net profit (loss) for the year	111,881	13,194	3,379	749	(10,934)	118,269
Total assets	2,116,572	105,795	17,950	71,224	(200,412)	2,111,129
Total liabilities	973,400	72,344	13,152	4,638	(108,448)	955,086
Net financial position	121,983	(1,579)	(2,784)	8,756	0	126,376

2018

<i>(thousands of euros)</i>	Flight assistance services	Servicing	Other sectors	Consolidation adjustments/reclassification	ENAV Group
Revenues from third parties	890,613	5,486	2,739		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	3,473	(80,787)	908,125
Net financial position	(6,858)	2,068	2,832	0	(1,958)

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 2019 and 2018, respectively.

	Balance at 31.12.2019						
	Trade receivables and other current and non-current assets	Current and non-current financial assets	Cash and cash equivalents	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
External related parties							
Ministry for the Economy and Finance	12,115	0	535	77,515	12,113	0	0
Ministry of Infrastructure and Transport	79,459	0	0	0	35,174	0	0
Enel Group	0	0	0	597	0	5,928	0
Leonardo Group	684	10,658	0	17,644	407	2,418	0
Other external related parties	0	0	0	63	90	292	22
Balance in financial statements	277,779	36,067	449,268	281,582	911,913	129,382	2,300
<i>as % of balance in financial statements</i>	33.2%	29.6%	0.1%	34.0%	5.2%	6.7%	1.0%

(thousands of euros)

	Trade receivables and other current and non-current assets	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
	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
<i>as % of balance in financial statements</i>	28.7%	0.2%	0.0%	31.4%	5.0%	3.4%	1.4%	0.0%

(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 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 the Enel Group regard agreements for the supply of electricity for a number of sites;
- transactions with other related parties contain residual positions.

Key management personnel comprise the ENAV CEO and four executives holding senior positions in the Group, namely the Chief Financial Officer, the Chief Human Resources and Corporate Services Officer, 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:

<i>(thousands of euros)</i>	2019	2018
Short/medium term remuneration	2,006	2,245
Other long-term benefits	0	0
Share-based payments	575	410
Total	2,581	2,655

The Group remuneration of the Board of Auditors amounted to €206 thousand (€137 thousand).

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. The start of the second cycle for 2018-2020 was approved by the Board of Directors on 13 November 2018. The start of the third cycle for the 2019-2021 period was approved by the Board of Directors on 15 May 2019.

The beneficiaries of the Plan are the CEO, key management personnel and a number of other managers 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 each 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.

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 Parent 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 for the three-year period, 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 four terminated their employment relationship between 2018 and 2019. The cost recognised for 2019 takes account of the determination of achievement of the targets for the period, for a cost of €0.6 million, while the liability, recorded in a specific equity reserve, amounted to €1.5 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 2019 was equal to €0.3 million, equivalent to the liability recognised in the specific equity reserve.

Third cycle 2019-2021

The target was also assumed to have been reached for the second cycle of the plan, 176,545 shares and a total fair value of €0.8 million. The third cycle envisaged 8 beneficiaries and the cost recognised for 2019 was equal to €0.3 million, equivalent to the liability recognised in the specific equity reserve.

35. Derivatives

During April 2019, the Parent Company entered into five derivative contracts, one of which exercised in the first half of the year, with the aim of hedging exposure to unfavourable developments in the euro/dollar exchange rate deriving from the Data Services Agreement signed by the Parent Company with Aireon LLC for the acquisition of satellite surveillance data. This contract provides for the payment in dollars of service fees on an annual basis until 2023. The exchange rate risk was managed through forward currency purchases whose residual notional value at the reporting date was \$4.2 million.

The fair value of derivatives was a positive €95.8 thousand at 31 December 2019. 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 2019, as indicated in bank communications, are listed below:

Counterparty	Transaction type	Date of contract	Expiration date	Notional (thousands of USD)	Forward exchange rate	Forward value (thousands of euros)	MtM Bank (thousands of euros)
BNL - BNP Paribas	Buy USD (Fwd)	02/04/2019	15/01/2020	590	1.1464	515	10.9
BNL - BNP Paribas	Buy USD (Fwd)	02/04/2019	15/01/2021	810	1.1776	688	17.8
BNL - BNP Paribas	Buy USD (Fwd)	02/04/2019	14/01/2022	1,392	1.2063	1,154	34.4
BNL - BNP Paribas	Buy USD (Fwd)	02/04/2019	13/01/2023	1,392	1.2340	1,128	37.0
Total				4,184		3,485	100.1

The fair value at the end of 2019 is reported in the following table, adjusted to take account of the Credit Valuation Adjustment:

Counterparty	Transaction type	Notional (thousands of USD)	Forward value (thousands of euros)	MtM	Credit Value Adjustment (CVA)	MtM CVA (thousands of euros)
BNL - BNP Paribas	Buy USD (Fwd)	590	515	10.4	0.0	10.4
BNL - BNP Paribas	Buy USD (Fwd)	810	688	17.0	0.0	17.0
BNL - BNP Paribas	Buy USD (Fwd)	1,392	1,154	33.1	(0.1)	33.0
BNL - BNP Paribas	Buy USD (Fwd)	1,392	1,128	35.6	(0.3)	35.4
Total		4,184	3,485	96.1	(0.4)	95.8

It was not possible to identify an active market for these instruments. 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 derivatives, they are classified as hedging instruments. The information required under the IFRS on the instruments is given below:

Maturity analysis

Expiry	BNL exchange rate derivative (euro/000)
Up to 1 month	10.4
Between 1 and 3 months	0
Between 3 and 6 months	0
Between 6 and 12 months	0
Between 1 and 2 years	17.0
Between 2 and 3 years	33.0
Between 3 and 5 years	35.4
Between 5 and 10 years	0
More than 10 years	0
Total	95.8

Sensitivity analysis

Transaction type	Fair value (euro/000)	Delta equity Eur/FX +5% (euro/000)	Delta equity Eur/FX -5% (euro/000)
Forward purchase (BNL)	96	406	61

36. Assets and liabilities by maturity

<i>(thousands of euros)</i>	Within the next financial year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0	7,629	3,462	11,091
Deferred tax assets	0	16,683	0	16,683
Non-current tax receivables	0	24,858	0	24,858
Non-current trade receivables	0	9,612	0	9,612
Other non-current receivables	0	16,344	0	16,344
Total	0	75,126	3,462	78,588
Financial liabilities	17,170	242,460	88,324	347,954
Deferred tax liabilities	0	8,113	1,196	9,309
Other non-current liabilities	0	32,320	143,203	175,523
Non-current trade payables	0	23,503	0	23,503
Total	17,170	306,396	232,723	556,289

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 for the amount that will be reversed to profit or loss after the fifth year.

37. Guarantees and commitments

Guarantees regard sureties granted to third parties in the interest of the Group in the amount of €5,733 thousand (€4,675 thousand at 31 December 2018), an increase of €1,058 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 consolidated profit for the year 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 Parent Company holds 1,200,000 treasury shares.

The table below summarises the calculation.

	2019	2018
Profit attributable to Parent Company shareholders	118,268,141	114,390,115
Weighted average number of ordinary shares	540,544,385	540,544,385
Basic Profit (loss) per share	0.22	0.21
Diluted Profit (loss) per share	0.22	0.21

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 2019 by the Group:

Grantor	Date of receipt	Amount	Description
Ministry of Infrastructure and Transport	06/12/2019	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
Ministry of Infrastructure and Transport	04/02/2019	8,176	Infrastructure and Networks NOP 2014-2020
Total Ministry of Infrastructure and Transport		38,176	
Total		38,176	

(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 receivables deriving from operations on the non-regulated market and 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 2019, the Group had €449.3 million in available cash, €25 million of financial instruments and €150.5 million in short-term lines of credit. These are uncommitted lines of credit subject to revocation and do not require compliance with either covenants or other contractual commitments, of which €25.5 million in current account overdrafts, €110 million in financial advances which can be drawn on without any constraints regarding their use and €15 million in export financing. The Group 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 decisions were 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 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 2019 stood at €337.3 million and is represented by bank debt for medium-/long-terms loans of €157.3 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 31.12.2019	from 1 to 2			
			<1 year	years	from 3 to 5	> 5 years
EIB - European Investment Bank	15-year loan	87,920	8,207	8,332	25,763	45,618
EIB - European Investment Bank	15-year loan	69,333	5,333	5,333	16,000	42,667
Bond		180,000	0	0	180,000	0
Total		337,253	13,540	13,665	221,763	88,285

(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 2019, the Parent Company had used two tranches of the total loan equal to €180 million, with a repayment plan providing for the payment of (i) semi-annual instalments in arrears from December 2018 until December 2029, with a fixed interest rate of 1.515%, for the tranche of €100 million, and (ii) semi-annual instalments in arrears 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 of 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 2019, 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.

At 31 December 2019 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 2019, the average cost of bank debt was around 1.7%, 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 2019, 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.

Exchange rate 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% (following the entry NATS as a new shareholder) in the share capital of US company Aireon and from contracts to provide services on the non-regulated market denominated in foreign currency. 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.

In particular, in April 2019, 5 forward foreign currency purchase transactions (dollars against euros) were completed to hedge the exchange rate risk of the Data Services Agreement signed with Aireon LLC. The total purchase of \$4.5 million was made with a total sale of €3.8 million, with forward exchange rates (euro/dollar) negotiated for each expiry until January 2023. Of the 5 forward contracts signed, the first was

terminated in the month of April itself. As regards contracts on the non-regulated market, the exposure is currently fragmented among low volatility currencies that do not expose ENAV to significant exchange rate risks.

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 2019.

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; and vi) other circumstances such as a dispute involving claims for damages due to failure to acquire a unit belonging to another company.

Criminal proceedings

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. The proceeding is at the argument stage.

The preliminary hearing in the criminal proceedings initiated by the Sassari Public Prosecutor was closed with the court ruling that there were no grounds to continue as the circumstances of the case did not constitute an offence with regard to 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 had already been 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 the Parent Company 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. 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 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 2019 paid to the audit firm of the Parent Company and the subsidiaries, 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	2019
ENAV		
Auditing	EY S.p.A.	330
Certification services	EY S.p.A.	81
Other services	EY S.p.A.	7
ENAV subsidiaries		
Auditing	EY S.p.A.	151
	EY S.p.A. network	10
Certification services	EY S.p.A.	0
Other services	EY S.p.A.	0
Total		579

The certification services provided by EY S.p.A. to the Parent Company mainly involved the certification of financed projects.

42. Events after the reporting date

At the end of 2019, the Spanish airport operator launched a tender for to award terminal air traffic management services for 12 medium and small-sized Spanish airports divided into three lots, with a deadline for the submission of tenders set for 3 February 2020. The value of the tender for all lots is approximately €141.6 million and the duration of the contract is 7 years, extendable for another year, and no participant can be awarded more than 2 lots.

In January 2020, as part of participation in the tender, ENAV acquired a Spanish company in the form of a *sociedad limitada unipersonal*, subsequently named ENAV España Control Aéreo, S.L.U. and submitted its bid by the deadline set in the contract notice.

It should be noted that in the context of the Report on Operations, in the paragraph Risk Management and Outlook for operations, are reported information and comments regarding dissemination of the COVID-19 virus in Italy, which began in the second half of February 2020.



**Attestation of the Chief Executive Officer and the Manager Responsible for
Financial Reporting on the consolidated financial statements**



Attestation of the ENAV Group's consolidated financial statement for the year ended 31 December 2019 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 2019 to 31 December 2019.
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 2019:
 - 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, 12 March 2020

Chief Executive Officer
Roberta Neri

Manager responsible for financial reporting
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, 2019

**Independent auditor's report pursuant to article 14 of
Legislative Decree n. 39, dated January 27, 2010, and
article 10 of EU Regulation n. 537/2014**

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 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, 2019, and the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity and 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, 2019 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 article 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 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:

Key Audit Matter	Audit Response
<p>Valuation of the goodwill</p> <p>Goodwill as at December 31, 2019 amounts to Euro 93,5 million, of which Euro 66,5 million allocated to the Cash Generating Unit (“CGU”) “Maintenance Services”.</p> <p>The processes and methodologies for assessing and determining the recoverable amount of the CGU, in terms of value in use, are based on assumptions sometimes complex, that due to their nature require Directors’ judgement, particularly with reference to the forecasted future cash flows for the period covered by the business plan 2020-2024, the determination of the normalized cash flows used for the terminal value estimate and the determination of long-term growth and discount rates applied to the forecasted future cash flows.</p> <p>Because of the judgment required and the complexity of assumptions used to estimate the recoverable amount of the goodwill, we identified this area as a key audit matter.</p> <p>The disclosures related to the assumptions and estimates used by the management is included in note “5. Use of estimates and management judgements”, while the disclosures related to the methodologies of execution of the impairment test is included in note “8. Intangible assets”.</p>	<p>Our audit procedures in response to the key audit matter concerned, among others:</p> <ul style="list-style-type: none"> • assessment of the impairment process of goodwill; • testing the CGU identification process and the allocation of assets and liabilities to the CGU; • assessment of the forecasted future cash flows as well as the verification of the consistency of future cash flows related to the CGU with the business plan 2020-2024; • assessment of Directors’ ability to make accurate projections through the comparison of the actual results with the previous forecast; • assessment of the long-term growth rates and discount rate. <p>In performing our procedures, we leveraged the assistance of our experts in valuation techniques, who performed an independent recalculation of the recoverable amount of the goodwill and sensitivity analysis of the key assumptions that could have a significant effect on the estimate of the recoverable value.</p> <p>Lastly, we reviewed the disclosures provided in the notes to the financial statement regarding the valuation of goodwill.</p>
<p>Fair value measurement of Aireon LLC</p> <p>The Investments in other entities item includes the investment in Aireon LLC for an amount of Euro 63,1 million which is measured at fair value. Directors measured the investment as a financial instrument categorized at level 3 of fair value hierarchy in absence of a quoted price in an active market.</p> <p>The processes and methodologies used for the fair value measurement of the investment are based on assumptions, sometimes complex, that for their nature require Directors’ judgement,</p>	<p>Our audit procedures in response to the key audit matter concerned, among others, the analysis of the future cash flows prepared by the investee, the assessment of the long-term growth rates and discount rate.</p> <p>In performing our procedures, we 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</p>

with particular reference to the appropriate use of the expected future cash flows prepared by management of the investee and the determination of the appropriate discount rate applied to the forecasted future cash flows.

Because of the judgement required to estimate the amount of the investment, we identified this area as 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".

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 - *Balance*

Revenues from en-route and terminal services include a positive or negative revenue adjustment recorded at the year-end in order to reflect the effective performance for the year. Such revenue adjustment, achieved through the *Balance* mechanism, is regulated through specific tariff mechanisms effected over the years following the concerned fiscal year.

The processes and methodologies for measuring such revenue adjustments are based on complex calculation algorithms and assumptions that for their nature require Directors' judgement, in particular with reference to the expectations about settlement date and the determination of the discount rate applied for.

Because of the above-mentioned complexity to perform this measurement, we identified this area as a key audit matter.

The disclosures related to the revenues accounting policy and measurement criteria resulting from 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 the others, the understanding of the applicable regulations, the understanding and evaluation of the estimation methodologies used by the Directors, the assessment of the processes for the determination of the *Balance*, the assessment of the discount rate used 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 resulting from 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 article 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 Company's 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 or business activities 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 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 January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 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,

2019, 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 February 24, 1998, with the consolidated financial statements of Enav Group as at December 31, 2019 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, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 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 December 30, 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 December 30, 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 December 30, 2016, such non-financial information are subject to a separate compliance report signed by us.

Rome, April 7, 2020

EY S.p.A.
Signed by: Riccardo Rossi, Auditor

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 2019

ENAV S.p.A. Financial Statements at 31 December 2019

ENAV S.p.A financial statements	164
Statement of financial position	165
Income statement	167
Statement of other comprehensive income	168
Statement of changes in shareholders' equity	169
Statement of cash flows	170
Notes to the financial statements of ENAV S.p.A.	171
General information	172
Form and content of the financial statements	172
Accounting standards	174
New accounting standards, interpretations and amendments adopted by the Company	192
Notes to the statement of financial position	199
Notes to the income statement	221
Other information	230
Attestation of the Chief Executive Officer and the Manager Responsible for Financial Reporting on the separate financial statements	245
Board of Auditors' Report	246
Independent Auditor's Report on the separate financial statements	247



ENAV S.p.A. FINANCIAL STATEMENTS

Statement of financial position

ASSETS

<i>(euros)</i>	Notes	31.12.2019	of which related parties (Note 30)	31.12.2018	of which related parties (Note 30)
Non-current assets					
Property, plant and equipment	5	998,708,422	0	1,020,986,730	0
Intangible assets	6	58,736,940	0	55,796,859	0
Investments	7	188,247,822	0	147,121,418	0
Non-current financial assets	8	3,430,887	3,345,530	28,106,040	3,204,937
Deferred tax assets	9	9,667,098	0	9,074,324	0
Non-current tax receivables	10	23,164,181	0	23,164,181	0
Non-current trade receivables	11	9,612,495	0	18,447,628	0
Other non-current assets	14	16,343,893	16,481,845	22,109,549	22,109,549
Total non-current assets		1,307,911,738		1,324,806,729	
Current assets					
Inventories	12	60,681,150	0	60,983,431	0
Current trade receivables	11	199,675,752	42,190,474	264,340,989	43,299,395
Receivables from Group companies	13	37,451,515	37,451,515	22,590,529	22,590,529
Current financial assets	8	30,019,137	5,042,466	9,006,701	0
Tax receivables	10	4,014,457	0	16,867,159	0
Other current assets	14	46,199,715	32,977,328	60,442,488	35,149,610
Cash and cash equivalents	15	429,913,955	534,846	308,205,784	557,623
Total current assets		807,955,681		742,437,081	
Assets classified as held for sale	7	704,900		704,900	
Total assets		2,116,572,319		2,067,948,710	

Statement of financial position

SHAREHOLDERS' EQUITY AND LIABILITIES

<i>(euros)</i>	Notes	31.12.2019	of which related parties (Note 30)	31.12.2018	of which related parties (Note 30)
Shareholders' equity					
Share capital	16	541,744,385	0	541,744,385	0
Reserves	16	456,490,039	0	451,905,958	0
Retained earnings/(loss carryforward)	16	33,056,816	0	43,312,206	0
Profit (loss) for the year	16	111,881,123	0	102,934,761	0
Total shareholders' equity		1,143,172,363		1,139,897,310	
Non-current liabilities					
Provisions for risks and charges	17	991,200	0	1,410,000	0
Severance pay and other employee benefits	18	36,584,469	0	35,475,338	0
Deferred tax liabilities	9	2,921,940	0	2,673,163	0
Non-current financial liabilities	19	325,541,214	0	337,252,863	0
Non-current trade payables	20	49,241,634	0	34,841,889	0
Other non-current liabilities	21	176,549,910	0	172,486,366	0
Total non-current liabilities		591,830,367		584,139,619	
Current liabilities					
Short-term portion of provisions for risks and charges	17	786,823	0	991,946	0
Current trade payables	20	129,340,036	17,420,936	120,318,758	15,751,237
Payables to group companies	13	68,631,227	68,631,227	56,384,836	56,384,836
Tax and social security payables	22	29,467,455	0	24,475,928	0
Current financial liabilities	19	15,839,910	0	14,923,767	0
Other current Liabilities	21	137,504,138	77,515,432	126,816,546	65,100,234
Total current liabilities		381,569,589		343,911,781	
Total liabilities		973,399,956		928,051,400	
Total shareholders' equity and liabilities		2,116,572,319		2,067,948,710	

Income statement

(euros)	Notes	2019	of which related parties (Note 30)	2018	of which related parties (Note 30)
Revenues					
Revenues from operations	23	937,889,394	12,203,100	917,115,850	13,181,292
Balance	23	(86,974,733)	0	(80,687,268)	0
<i>Total revenues for contract with customers</i>	23	<i>850,914,661</i>		<i>836,428,582</i>	
Other operating income	24	48,861,418	38,252,542	56,115,904	37,534,752
Total revenues		899,776,079		892,544,486	
Costs					
Costs for raw materials, supplies, consumables and goods	25	(4,886,996)	(533,904)	(3,533,156)	(679,346)
Costs for services	25	(180,562,425)	(79,671,878)	(176,084,272)	(69,397,345)
Personnel costs	26	(430,739,566)	0	(421,176,433)	0
Costs for leases and rentals	25	(1,077,993)	(22,781)	(2,122,983)	(67,952)
Other operating expenses	25	(2,281,155)	0	(4,640,967)	0
Capitalisation of costs	27	7,782,775	0	7,449,090	0
Total costs		(611,765,360)		(600,108,721)	
Amortisation and depreciation	5 e 6	(139,631,846)	0	(140,329,447)	0
Writedowns/(writebacks) for impairment of receivables	11	(1,602,441)	0	(6,591,015)	0
Writedowns/(writebacks) for impairment of property, plant and equipment and intangible assets	5	(118,875)	0	(819,475)	0
Provisions	17	204,262	0	3,256,378	0
Operating income		146,861,819		147,952,206	
Financial income and expense					
Financial income	28	12,872,593	10,890,222	3,834,480	75,088
Financial expense	28	(6,601,511)	0	(7,161,507)	0
Exchange rate gains (losses)	28	105,050	0	193,167	0
Total financial income and expense		6,376,132		(3,133,860)	
Income before taxes		153,237,951		144,818,346	
Income taxes	29	(41,356,828)	0	(41,883,585)	0
Profit (loss) for the year		111,881,123		102,934,761	

Statement of other comprehensive income

<i>(euros)</i>	Notes	2019	2018
Profit (loss) for the year	16	111,881,123	102,934,761
<i>Other comprehensive income recyclable to profit or loss:</i>			
- Fair value of derivative financial instruments	8 e 16	95,745	(78,266)
- Tax effect of the valuation at fair value of derivative financial instruments	9 e 16	(22,979)	18,785
<i>Total other comprehensive income recyclable to profit or loss</i>		<i>72,766</i>	<i>(59,481)</i>
<i>Other comprehensive income not recyclable to profit or loss:</i>			
- Actuarial gains/(losses) on employee benefits	16 e 18	(2,343,440)	1,161,909
- Tax effect of actuarial gains/(losses) on employee benefits	9 e 16	562,426	(278,858)
<i>Total other comprehensive income not recyclable to profit or loss</i>		<i>(1,781,014)</i>	<i>883,051</i>
Comprehensive Income		110,172,875	103,758,331

Statement of changes in shareholders' equity

	Share capital	Legal reserve	FTA reserve	Sundry reserves	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
<i>(euros)</i>										
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
Adoption of new standards	0	0	0	0	0	0	0	(42,646)	0	(42,646)
Balance at 1st January 2019	541,744,385	26,663,066	(3,044,940)	432,586,848	(6,256,192)	1,957,176	451,905,958	43,269,560	102,934,761	1,139,854,664
Allocation of net profit from the previous year	0	5,146,738	0	0	0	0	5,146,738	97,788,023	(102,934,761)	0
Dividend distribution	0	0	0	0	0	0	0	(108,000,768)	0	(108,000,768)
Purchase of own shares	0	0	0	0	0	0	0	0	0	0
Long term incentive plan	0	0	0	1,145,592	0	0	1,145,592	0	0	1,145,592
Comprehensive income, of which:										
- Profit (loss) recognised directly in equity	0	0	0	0	(1,781,014)	72,766	(1,708,248)	0	0	(1,708,248)
- Profit (loss) for the year	0	0	0	0	0	0	0	0	111,881,123	111,881,123
Balance at 31 December 2019	541,744,385	31,809,804	(3,044,940)	433,732,440	(8,037,206)	2,029,942	456,490,040	33,056,815	111,881,123	1,143,172,363

Statement of cash flows

<i>(thousands of euros)</i>	Notes	2019	of which related parties	2018	of which related parties
A - CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	15	308,206		257,550	
Net cash flow generated/(absorbed) from operating activities					
Profit (loss) for the year	16	111,881	0	102,935	0
Amortisation and depreciation	5 e 6	139,632	0	140,329	0
Net change in liabilities for employee benefits	18	(1,234)	0	(1,066)	0
Loss on sale of property, plant and equipment and impairment of property, plant and equipment and intangible assets	5	162	0	1,108	0
Other income/expense on non-monetary flows	5 e 8	0	0	(983)	(219)
Provisions for risks and charges	17	204	0	(3,256)	0
Provision for stock grant plans	26	1,146	0	762	0
Net change of deferred tax assets and deferred tax liabilities	9	196	0	7,998	0
Decrease/(Increase) in inventories	12	681	0	434	0
Decrease/(Increase) in current and non-current trade receivables	11	72,751	1,109	89,929	761
Decrease/(increase) in tax receivables and tax and social security payables	10 e 22	17,844	0	(8,689)	0
Change in other current assets and liabilities	14 e 21	21,844	2,173	(49,007)	(26,224)
Change in receivables and payables to group companies	13	(2,615)	(2,615)	7,035	7,035
Change in other non-current assets and liabilities	21	9,831	18,043	44,122	(22,420)
Increase/(Decrease) in current and non-current trade payables	20	(30,295)	512	(25,532)	588
B - TOTAL CASH FLOW FROM OPERATING ACTIVITIES		342,028		306,119	
		(28,701)		(40,659)	
		(3,611)		(3,610)	
Net cash flow generated/(absorbed) from investing activities					
Investments in property, plant and equipment	5	(104,060)	0	(113,542)	0
Investments in intangible assets	6	(13,723)	0	(6,707)	0
Increase/(decrease) in trade payables for investments	20	52,937	1,773	31,897	(4,868)
Sale of property, plant and equipment	5	0	0	4,500	0
Decrease/(increase) in trade receivables for investments	11	750	0	(3,000)	0
Equity investments	7	(41,126)	0	(50)	0
Increase/(decrease) in trade payables for equity investments	7	3,155	0	0	0
Other investing activities	8	9,000	0	(33,893)	0
C - TOTAL CASH FLOW FROM INVESTING ACTIVITIES		(93,067)		(120,795)	
Net cash flow generated/(absorbed) from financing activities					
New medium and long term loans	19	0	0	0	0
(Repayments) of medium and long term loans	19	(13,417)	0	(28,996)	(1,664)
Net change in long-term financial liabilities	19	(7)	0	41	0
Bond issue	19	0	0	0	0
Net change in short-term financial liabilities	19	(586)	0	0	0
(Increase)/Decrease in current financial assets	8	(5,036)	0	241	0
(Increase)/Decrease in non-current financial assets	8	(206)	(141)	0	0
Change in share capital	16	0	0	(4,973)	0
Dividend distribution	16	(108,001)	(57,543)	(100,981)	(53,803)
D - TOTAL CASH FLOW FROM FINANCING ACTIVITIES		(127,253)		(134,668)	
E - Total cash flow (B+C+D)		121,708		50,656	
F - CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+E)	15	429,914		308,206	



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.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 2019, 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 12 March 2020, 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 2019 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 12 March 2020, 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 standard 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 2019 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;
- *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 16 was applied for the first time with effect from 1 January 2019.

3. Accounting standards

The 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 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
Plant 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
	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.

Following the introduction of IFRS 16 with effect from 1 January 2019, the rights of use connected with long-term leases are recognised under property, plant and equipment if the lessee has exclusive control of the leased asset and the right to obtain substantially all of the economic benefits deriving from use of the asset.

The right-of-use asset is recognised entered at a value equal to the sum of the present value of the contractual outgoing cash flows, using the rate provided for in the lease or the lessee's incremental borrowing rate as the discount rate factor.

The right-of-use asset is depreciated over the non-cancellable period of the lease, which normally coincides with its term.

For long-term car rentals, the contract is divided into a lease component, i.e. the pure rental payment, and a non-lease component for maintenance services. The lease component is included in the right-of-use asset, while the non-lease component is charged profit or loss.

Intangible assets

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. 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

At the time of initial recognition, financial assets are classified 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 financial assets are managed 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 iii) financial assets at fair value through profit or loss. The Company mainly holds financial assets measured at amortised cost, which applies if 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 model 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 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.

The documentation prepared in compliance with IFRS 9 includes the identification of the hedging instrument, the hedged item, the nature of the risk and how the Company assesses whether the hedge relationship meets the hedge effectiveness requirements. 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

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 approach adopted for financial liabilities depends on their classification. More specifically, financial liabilities at fair value through profit or loss include liabilities held for trading and comprise those assumed with the intent of extinguishing them or transferring them in the short term.

Financial liabilities classified as loans and receivables, which are the most common financial liabilities held by the Company, 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.

Trade payables and other financial liabilities are classified as current financial 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.

Following the entry into force of IFRS 16 as from 1 January 2019, current and non-current financial liabilities also include financial liabilities representative of the present value of lease payments to be paid to the lessor under long-term leases, with the right of use being recognized under property, plant and equipment.

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 in defined-benefit plans 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 that resulting from actuarial measurement, and the actuarial gains and losses determined in 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 obligation. The Company pays contributions, recognising them 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 but no provision is made.

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.

Revenues from contracts with customers 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 measured 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 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 for the year”.

For both terminal services and en-route services, the “Balance 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 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 recognised in 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 en-route 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”.

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.

Dividends

Dividends received from investments in other companies are recognised through profit or loss at the time at which the unconditional right of shareholders to receive the payment is established, which is normally the resolution of shareholders’ meeting authorising the distribution of dividends.

Costs

Costs are recognised 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 in conjunction with the decline 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 are 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.

For a detailed analysis of related-party transactions, please see to Note 30 of the separate 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 be 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

the measurement of operating revenues incorporating the recognition of balances for the year, 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 for the year, 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 and IDS AirNav, the test is carried out by calculating the value in use of the investments based on the discounted cash flow method.

The recoverable value was estimated on the basis of cash flows for a time horizon of 5 years (2020 - 2024) and are taken from the financial plan (2018-2022) approved by their respective boards of directors and by

the Parent Company on 18 February 2020, also taking into account the budget approved for 2020. 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 five-year explicit forecast period (2020-2024);
- depreciation is aligned with investments to maintain 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 1.2% 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 and 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 separate financial statements at 31 December 2019 are in consistent with those used for the preparation of the separate financial statements at 31 December 2018, with the exception of the adoption of the new IFRS 16, whose amendments and interpretations are effective as from 1 January 2019. A number of other amendments and interpretations were applied for the first time in 2019, but did not have an impact on the separate financial statements.

The effects associated with the first-time adoption of the new accounting standard IFRS 16 on the Company's separate financial statements are discussed below.

IFRS 16 Leases

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. The new standard, which was endorsed on 9 November 2017, took effect as from 1 January 2019, considering that the Company did not opt for early adoption.

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.

At the commencement date of the lease, the lessee shall recognise a liability in respect of the obligation to make lease payments ("lease liability") and an asset consisting in the right to use the underlying asset over the term of the lease ("right-of-use asset"). The lessee shall also recognise the interest accruing on the lease liability separately from the depreciation of the right-of-use asset.

The lessee shall have to remeasure the lease liability under certain circumstances, such as a change in the lease term or a change in the value of future payments due to a change in an index used to determine such payments. In general, the remeasurement of the lease liability entails an adjustment to the right-of-use asset.

With regard to the recognition of leases in the lessee's statement of financial position, the standard provides for two types of exemption: low-value leases and leases with a term of 12 months or less.

Summary of impacts of first-time adoption at 1 January 2019

ENAV has adopted IFRS 16 using the modified retrospective method, with the date of initial application as at 1 January 2019. Under this approach, the standard is applied retrospectively with the cumulative effect of initial adoption recognised at the date of initial application. The Company has also elected to use of a number of practical expedients for leases that at the date of initial application have a term of 12 months or less and for those with a low-value underlying asset, for which the related costs continue to be charged to profit or loss without recognising the right of use under assets.

ENAV has leases of the following contractual types: rental contracts for buildings and secondary and/or strategic sites, vehicles used by managers, vehicles used by operating personnel at airport sites and vehicles for use by the heads of certain operating sites, in addition to other minor types of contract. With regard to

the definition of the term of a lease, the Company has considered the non-cancellable period, taking account of the presence of any tacit and/or explicit extensions and/or renewals and the probability that they will be exercised in order to determine the effective term of a lease. In determining the rights of use in respect of car lease payments, the Company has considered only the lease components (pure lease), where the non-lease component (maintenance services) continues to be charged to profit or loss. The Company has also used the incremental borrowing rate where it is not possible to readily determine the interest rate implicit in the lease.

The effects of the application of IFRS 16 by the Company as from 1 January 2019 is reported below:

<i>(thousands of euros)</i>	31.12.2018	IFRS 16	01.01.2019
Non-current assets			
Property, plant and equipment	1,020,987	3,124	1,024,111
Intangible assets	55,797	0	55,797
Equity investments	147,121	0	147,121
Non-current financial assets	28,106	0	28,106
Other non-current assets	72,796	0	72,796
Total non-current assets	1,324,807	3,124	1,327,931
Total current assets	742,437	0	742,437
Assets held for sale	705	0	705
Total assets	2,067,949	3,124	2,071,073
<i>(thousands of euros)</i>			
Shareholders' equity	1,139,897	(43)	1,139,854
Non-current liabilities			
Non-current financial liabilities	337,253	2,489	339,742
Other non-current liabilities	246,887	0	246,887
Total non-current liabilities	584,140	2,489	586,629
Current financial liabilities	14,924	678	15,602
Other current liabilities	328,988	0	328,988
Total current liabilities	343,912	678	344,590
Total liabilities and shareholders' equity	2,067,949	3,124	2,071,073

At 31 December 2018, ENAV had contractual positions qualifying as operating leases, with the recognition in profit or loss of rental/lease costs under costs for leases and rentals in accordance with IAS 17, while it did not hold assets under finance leases.

The overall effect on the shareholders' equity of ENAV at 1 January 2019 of the adoption of IFRS 16 was a negative €43 thousand, due to an increase in property, plant and equipment as of 1 January 2019 deriving from the recording of rights of use among in the amount of €3,124 thousand and the recognition of financial liabilities, representing liabilities in respect of lessors, amounting to €3,167 thousand.

The assets recognised on first-time adoption are attributable to the lease contracts for secondary offices, for a total of €2,024 thousand. The Company has also recognised rights of use in respect of long-term car rental agreements for managers and operating personnel totalling €1,100 thousand.

The following table reconciles the value of minimum future payments on non-cancellable operating leases and the balance of lease liabilities at 1 January 2019.

<i>(thousands of euros)</i>	
Payments for non-cancellable leases at 31 December 2018	3,475
Discounting effect a 1 January 2019	(161)
Exclusion of exempt leases	(147)
Lease liabilities at 1 January 2019	3,167

During 2019, the Company recognised depreciation charges on right-of-use assets in the amount of about €713 thousand and financial expense of around €55 thousand, while costs for leases and rentals declined by €737 thousand. These effects had a positive impact on the EBITDA of ENAV.

These financial effects are mainly attributable to the right-of-use assets recognised on first-time adoption as at 1 January 2019, while other circumstances arising during 2019 increased the value of rights of use, including the recognition of new vehicle leases by the Parent Company in the amount of €47 thousand.

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

The following is a list of the new accounting standards, amendments and interpretations applicable to the Company as from 1 January 2019 with no impact on the Company's separate financial statements at 31 December 2019:

- *Annuals Improvements to IFRS standards 2015-2017 Cycle* – issued on 12 December 2017 and endorsed on 14 March 2019. With regard only to the changes with an impact on the separate financial statements, the document contains formal amendments and clarifications of existing standards. More specifically, several amendments were introduced to the following standards:
 - ✓ *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.
- *Amendments to IAS 19 - Plan amendment, curtailment or settlement* – issued on 7 February 2018 and endorsed on 13 March 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.

- *Amendments to IAS 28 - Investments in associates and joint ventures* – issued on 12 October 2017 and endorsed on 8 February 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).
- *IFRIC 23 - Uncertainty over income tax treatments* – issued on 7 June 2017 and endorsed on 23 October 2018. 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.
- *IFRS 9 - Prepayment features with negative compensation* – issued on 12 October 2017 and endorsed on 22 March 2018. The aim of amendments is to address the issue of the classification of particular categories of financial assets with 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.

New accounting standards, interpretations and amendments taking effect for periods after 31 December 2019 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 that ending 31 December 2019:

- *Amendment to references to the conceptual framework in IFRS standards* – issued on 29 March 2018 and endorsed on 29 November 2019. The new IFRS conceptual framework will replace the framework issued in 1989, already partly revised in 2010. The new framework will be applicable 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 and endorsed on 29 November 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 as from 1 January 2020 and early adoption is permitted.
- *Amendment to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform*, issued on 26 September 2019 and endorsed on 15 January 2020. The amendments concern issues affecting financial reporting in the periods preceding the replacement of an existing benchmark index with an alternative interest rate. These amendments provide guidance about the highly probable and forward-looking assessments required by IFRS 9 and IAS 39 for hedging relationships which are impacted by the uncertainties of the IBOR reform. For the same reason, the amendments provide indications concerning retrospective assessment in accordance with IAS 39. The exceptions described in the amendments only apply to hedging relationships directly affected by the uncertainties of the IBOR reform. The amendments will take effect as from 1 January 2020 and early adoption is permitted.
- *Amendment to IAS 1 - Presentation of Financial Statements - Clarification of Liabilities as Current or Non-current*, issued on 23 January 2020. The amendments clarify the requirements for the classification of liabilities as current or non-current. More specifically:
 - the conditions at the end of the reference period are those that should be used to determine if there is a right to defer settlement of a liability;
 - classification is unaffected by management's expectations concerning events after the reporting date, for example, in the case of breach of an agreement or early settlement;



- it clarifies the circumstances the represent settlement of a liability.

The amendments will take effect, subject to endorsement, as from 1 January 2022.

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 2019 compared with the previous year:

<i>(thousands of euros)</i>	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
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
Increases	16,516	64,994	13,750	6,947	104,060	206,267
Increases for right-of-use assets - cost	2,314	0	0	1,446	0	3,760
Increases for right-of-use assets - accumulated depreciation	(290)	0	0	(300)	0	(590)
Disposals - cost	(263)	(2,602)	(4,255)	(5,180)	0	(12,300)
Disposals - accumulated depreciation	195	2,598	4,214	5,180	0	12,187
Reclassification	0	(28)	(45)	0	(101,908)	(101,981)
Impairment losses	0	(119)	0	0	0	(119)
Depreciation	(19,848)	(89,877)	(12,086)	(7,692)	0	(129,503)
Total changes	(1,376)	(25,034)	1,578	401	2,152	(22,279)
Cost	538,051	1,975,059	323,907	312,066	200,614	3,349,697
Accumulated depreciation	(238,518)	(1,552,353)	(272,167)	(287,951)	0	(2,350,989)
Net book value at 31.12.2019	299,533	422,706	51,740	24,115	200,614	998,708

There was a net decrease in property, plant and equipment in the year of €22,279 thousand as a result of the following events:

- depreciation for the year of €129,503 thousand (€131,860 thousand in 2018), of which €713 thousand in respect of rights of use;
- an increase for right-of-use assets, recognised in accordance with IFRS 16, regard leases for a secondary ENAV office and company cars, with a net value at 1 January 2019 of €3,124 thousand. During the year, leases on other company cars were recognised;
- increases in property, plant and equipment totalling €206,267 thousand, of which €102,207 thousand relating to investments that entered service during the year. These include: i) the new tower architecture for the Milan Malpensa airport, which includes the electronic flight strip system, the new interface for displaying the airport radar surveillance system and a new surveillance data fuser, i.e. the part of the system that processes and decides which is track is the best to display on the radar screen. All the essential systems for tower operations have been unified and integrated into 4 monitors; ii) the modernisation and upgrade of the VCS (Voice Communication System) for various airport sites; iii) the new power plant at the Catania airport; iv) the upgrade of meteorological systems to ICAO amendment 74 at various airport sites, including Rome Fiumicino airport; v) 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 and the acquisition of the associated tool; vi) infrastructure maintenance across the entire country; vii) modernisation of radio aid systems at various airports sites; viii) the new surface movement radar at the Milan Malpensa airport; and ix) evolutionary maintenance on various systems. Increases of €104,060 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; iii) the construction of the technical area of the Genoa airport; iv) the modernisation and upgrading of airport sound recording systems; and v) the new tower and technical area of the Treviso airport.

- the net decreases due to reclassifications totalling €101,981 thousand, mainly regarding investment projects that were completed and entered service during the year, with classification to a specific account, amounting to €102,207 thousand, as well as €379 thousand for the reclassification of certain components of operating systems in inventories for replacement parts and the increase of €654 thousand following the reclassification from intangible assets;
- writedowns of property, plant and equipment amounting to €119 thousand in respect of certain assets that are no longer considered usable.

Note that part of the investments, with a historical cost of €290,920 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 €9,023 thousand.

6. Intangible assets

The following table reports changes in intangible assets at 31 December 2019 compared with the previous year:

<i>(thousands of euros)</i>	Industrial patent and intellectual property rights	Other intangible assets	Asset under development	Total
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
Increases	9,528	0	13,723	23,251
Disposals	0	0	0	0
Reclassification	0	0	(10,182)	(10,182)
Impairment losses	0	0	0	0
Amortisation	(10,129)	0	0	(10,129)
Total changes	(601)	0	3,541	2,940
Cost	152,939	2,085	43,675	198,699
Accumulated amortisation	(137,877)	(2,085)	0	(139,962)
Net book value at 31.12.2019	15,062	0	43,675	58,737

Intangible assets totalled €58,737 thousand, a net increase of €2,940 thousand, reflecting the following changes:

- amortisation for the year of €10,129 thousand (€8,469 thousand in 2018);
- increases in intangible assets totalling €23,251 thousand, including €9,528 thousand in respect of investment projects completed and entering service during the year, including software and licenses for management and operational systems, as well as systems supporting SESAR operational activities. The increase also included €13,723 thousand from investment projects in progress including the activities relating to the ERP Oracle management system with a view to implementing the system among the companies of the ENAV Group;
- decreases in intangible assets of €10,182 thousand, including €9,528 thousand for investment projects completed and entering service that were classified to a specific account and €654 thousand from the reclassification of assets under property, plant and equipment.

7. Investments

Investments amounted to €188,248 thousand and changed as follows during the year:

<i>(thousands of euros)</i>	31.12.2018	Increases	Decreases	31.12.2019
Investments:				
subsidiaries	146,955	41,126	0	188,081
other companies	167	0	0	167
Total	147,122	41,126	0	188,248

The €41.1 thousand increase in investments in subsidiaries refers entirely to the purchase of the newly created IDS AirNav S.r.l., to which the Air Navigation Division of IDS Ingegneria dei Sistemi S.p.A. was transferred on 28 June 2019, with effect from July 2, 2019, in fulfilment of the obligations assumed in the

preliminary sale contract signed between the parties on 27 May 2019. Following performance of the majority of the obligations envisaged in the agreement, on 18 July 2019 ENAV signed the instrument of purchase for the entire share capital of IDS AirNav from IDS Ingegneria dei Sistemi and an addendum to the preliminary contract taking account of the obligations that had not yet been formalised, which entailed a deduction from the payment of the provisional purchase price of €3.1 million. The purchase price of the investment was initially €41.07 million, of which €33.8 million paid at the signing of the instrument of purchase, while €2.1 million were retained as a guarantee in accordance with the preliminary agreement, with 50% payable 12 months from the signing date and the other 50% payable 24 months from the signing date. In defining the balance sheet at the execution date in September 2019, an adjustment of €53 thousand was recognized, bringing the value of the investment to €41.12 million, and €2.1 million was paid. The carrying amount of the investment, which is greater than the corresponding portion of equity, underwent impairment testing as at 31 December 2019 in order to assess the recoverability of the amount entered. In determining recoverable value, reference was made to value in use. The discount rate used is a WACC of 14.5% with a growth rate of operating cash flows in nominal terms, after the forecast for the explicit period, equal to 1.2%, consistent with the revised growth forecasts for Italy.

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 2020-2024 financial plan prepared by the subsidiary, taking account of the budget for 2020 already approved by IDS AirNav and ENAV on 18 February 2020. The plan shows good revenue growth in the reference period, driven by forecast growth in sales and a slight increase in costs. Costs for the period are low, due in part to the mix of revenues, which are mainly generated by the sale of software licenses rather than the provision of services (such as training and consulting). The assumptions on which the company based the preparation of the financial plan are founded on an understanding of the reference market and the information received from ENAV's Strategic Marketing unit. The test found that the recoverable value is greater than the carrying amount of the investment and, consequently, no impairment was recognised.

Investments in subsidiaries include the 100% interest in 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 2019 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 2018.

At 31 December 2019, 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* to 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 2019, 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 2020-2024 financial plan approved by the Techno Sky Board of Directors and the Parent Company on 18 February 2020, also taking account of the budget for 2020. 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 8.4%, with a nominal growth rate for operating cash flows post explicit period forecast of 1.2%, consistent with current macroeconomic conditions.

Following the test, recoverable value was found to be higher than the carrying amount and, consequently, no impairment losses have been recognised.

Investments in subsidiaries also include a 100% stake in Enav Asia Pacific based in Kuala Lumpur, Malaysia and a 60% stake in D-Flight S.p.A..

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 2019, dividends received from the company amounted to €417 thousand.

For comments on the performance of subsidiaries in 2019, please see to the appropriate section of the Report on Operations.

A breakdown of investments held at 31 December 2019, 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 31.12.2019	% share	Shareholders' equity pertaining to ENAV	Book value at 31.12.2019
Subsidiaries								
Techno Sky S.r.l.	Rome	31.12.2019	1,600	13,194	33,451	100%	33,451	99,224
IDS AirNav	Rome	31.12.2019	500	3,392	4,797	100%	4,797	41,126
D-Flight	Rome	31.12.2019	83	(493)	6,147	60%	3,688	50
Enav Asia Pacific	Kuala Lumpur	31.12.2019	127	906	4,178	100%	4,178	127
Enav North Atlantic	Miami	31.12.2019	44,974	391	54,865	100%	54,865	47,554

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 31.12.2019	% share	Shareholders' equity pertaining to ENAV	Book value at 31.12.2019
Entities classified has held for disposal								
Consorzio Sicta in liquidazione	Naples	31.12.2019	1,033	(56)	1,395	60%	837	705

8. Current and non-current financial assets

Current and non-current financial assets amounted to €30,019 thousand and €3,431 thousand and in 2019 changed with respect to 31 December 2018 as indicated in the following table:

	31.12.2019			31.12.2018			Change		
	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
<i>(thousands of euros)</i>									
Financial assets at amortised cost	30,009	3,346	33,355	9,001	28,105	37,106	21,008	(24,759)	(3,751)
Derivative financial instruments	10	85	95	6	0	6	4	85	89
Total	30,019	3,431	33,450	9,007	28,105	37,112	21,012	(24,674)	(3,662)

Current financial assets increased by a net €21 million, reflecting the following changes: i) the classification under current assets of two BTP government bonds recognised at amortised cost to be held to maturity, with a total nominal value of €25 million falling due on 15 October 2020 and 1 November 2020 respectively. The value at which they were carried at 31 December 2019 was €24.97 million; ii) the grant of an intercompany loan of €5 million falling due on 30 June 2020 bearing an interest rate of 2.0% to the subsidiary IDS AirNav to give that company the liquidity it needs for operations; and iii) the expiry in December 2019 of the €9 million 1-year time deposit accruing annual interest of 0.30%.

Non-current financial assets decreased by €24.7 million on 31 December 2018, mainly attributable to the classification of the two BTP government bonds under current assets in the amount of €24.9 million. The item was increased by interest accrued on the intercompany loan granted in 2017 to the subsidiary Enav North Atlantic bearing an interest rate of 2.5%, which is to be repaid in a single instalment on 31 December 2021, with early repayment permitted, as well as €85 thousand attributable to the fair value measurement of a financial instrument obtained by ENAV to hedge the exposure to adverse changes in the euro/dollar exchange rate. 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.

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.

	31.12.2018		Increase/decrease through profit or loss		Increase/decrease through OCI		31.12.2019	
	Temporary differences	Deferred tax assets / liabilities	Temporary differences	Deferred tax assets / liabilities	Temporary differences	Deferred tax assets / liabilities	Temporary differences	Deferred tax assets / liabilities
<i>(thousands of euros)</i>								
Deferred tax assets								
Taxed provisions	26,801	6,431	(70)	(17)	0	0	26,731	6,414
Writedown of inventories	9,566	2,296	339	81	0	0	9,905	2,377
Discounting of receivables	272	66	(137)	(33)	0	0	135	33
Discounting employee severance pay	724	175	0	0	2,343	562	3,067	737
Non-deductible portion of severance pay	186	45	0	0	0	0	186	45
Fair value of derivatives	4	1	0	0	0	0	4	1
Other	256	61	(6)	(1)	0	0	250	60
Total	37,809	9,075	126	30	2,343	562	40,278	9,667
Deferred tax liabilities								
Other	5,008	1,202	739	178	0	0	5,747	1,380
Discounting of debt	568	137	317	76	0	0	885	213
Tax effect of IFRS conversion	2,401	715	(85)	(28)	0	0	2,316	687
Fair value of derivatives	2,580	619	0	0	96	23	2,676	642
Total	10,557	2,673	971	226	96	23	11,624	2,922

The change in the year in deferred tax assets and deferred tax liabilities, which have a balance at the end of 2019 of €9,667 thousand and €2,922 thousand, respectively, is attributable to the following factors:

- the utilisation and recognition of new taxable risk provisions and the provision for doubtful accounts as a result of the circumstances discussed in Notes 11 and 17, with an impact through reversal to profit or loss of €17 thousand;
- 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 2019;
- the recognition of employee severance pay in accordance with the actuarial method, which produced an actuarial loss recognised in other comprehensive income;
- the measurement at fair value of derivative financial instruments, recognised in other comprehensive income;
- the reversal and new accrual of default interest, with a net negative impact on profit or loss of €66 thousand.

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 prudent to classify this receivable under non-current assets.

Current tax receivables amounted to €4,014 thousand, a decrease of €12,853 thousand attributable to the decline in the VAT receivable and the elimination of the IRES receivable.

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Receivables from tax authorities for VAT	3,753	10,373	(6,620)
IRAP receivable	58	0	58
IRES receivable	0	6,232	(6,232)
Other current tax receivables	203	262	(59)
Total	4,014	16,867	(12,853)

Receivables from tax authorities for VAT amounted to €3,753 thousand, a decrease of €6,620 thousand, of which €7 million in respect of the VAT receivable in respect of 2017 for which reimbursement has been requested, partly offset by the VAT receivable accrued during the year on services received from professionals in the amount of €412 thousand.

The *IRAP receivable* amounted to €58 thousand, representing the difference between payments on account during the year, equal to €7,150 thousand, and the Company's tax liability for 2019, which amounted to €7,092 thousand.

The *IRES receivable* was eliminated as it was offset by the tax liability for 2019 of €34,069 thousand, which was greater than the receivable recognised in 2018 and payments of account in 2019 totalling €26,649 thousand.

11. Current and non-current trade receivables

Current trade receivables amounted to €199,676 thousand and non-current trade receivables amounted to €9,613 thousand, both decreasing compared with the previous year, as detailed in the following table:

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Current trade receivables			
Receivables from Eurocontrol	152,851	150,841	2,010
Receivables from the Ministry for the Economy and Finance	12,114	13,076	(962)
Receivables from the Ministry of Infrastructure and Transport	30,000	30,000	0
Receivables from others	17,519	18,728	(1,209)
Receivables for balances	16,098	80,089	(63,991)
	228,582	292,734	(64,152)
Bad debt provisions	(28,906)	(28,393)	(513)
Total	199,676	264,341	(64,665)
Non-current trade receivables			
Receivables from customers	1,480	2,214	(734)
Receivables for balances	8,133	16,234	(8,101)
Total	9,613	18,448	(8,835)

Receivables from Eurocontrol refers to the fees in respect of en-route and terminal revenues not yet received as of 31 December 2019, the majority of which is not yet due, amounting respectively to €106,877 thousand (€106,226 thousand at 31 December 2018) and €45,974 thousand (€44,615 thousand at 31 December 2018), gross of the provision for doubtful accounts. The increase for the year of €2,010 thousand despite broadly no change in the amount not yet due, reflects receivables from airlines that are bankrupt and airlines that pay late. The receivable from Eurocontrol, net of the portion directly attributable to the provision for doubtful accounts, amounted to €133,816 thousand (€132,152 thousand at 31 December 2018).

Receivables from the Ministry for the Economy and Finance (MEF) of €12,114 thousand is entirely accounted for by the en-route and terminal exemptions recognised in 2019, a decrease of €962 thousand compared with the previous year, reflecting a decline in service units in 2019. The receivable in 2018 of €13,076 thousand was offset, after approval of the 2018 financial statements, with the payable to the Italian Air Force for the collections in respect of the en-route charges of €65,100 thousand, which left a payable of €52,024 thousand due to the MEF, which was paid in November 2019.

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 ENAV to guarantee the safety of its plant and operational safety, as provided for by Article 11-*septies* of Law 248/05. In December, €30 million recognised in 2018 were received.

Receivables from others show a net decrease of €1,209 thousand compared with the previous year, reflecting amounts collected during the year and the closure of a receivable in litigation in respect of a management company which also held liability positions, allowing the parties to reach a settlement with payment of €250 thousand to ENAV.

The receivable recognized under receivables from customers falling due after 12 months amounting to €1,480 thousand regards the receivable due from Alma Mater Studiorum - University of Bologna, which purchased the Academy building complex in 2018, with part of the price deferred in four annual instalments of €750 thousand on 28 June each year. The first instalment was paid in 2019 and that falling due on 28 June 2020 was classified under current receivables, while the remaining two instalments are recognized under receivables falling due after 12 months, net of discounting effects. 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 **bad debt provisions** amounted to €28,906 thousand, with changes in 2019 breaking down as follows:

<i>(thousands of euros)</i>	31.12.2018	Increases	Decreases		31.12.2019
			Utilisations	Cancellations	
Bad debt provisions	28,393	4,280	(2,399)	(1,368)	28,906

The increase in the year in the bad debt provisions both reflected positions written off following the bankruptcy of a number of European air carriers and the assessments required by the new accounting standard for past due and uncollected positions for which various recovery initiatives are in progress. The utilisation of €2,399 thousand refers to receivables prudentially written down in previous years and collected during 2019, while €1,386 thousand regards the writeoff of receivables in the Eurocontrol area, which does not affect the right to recover the receivable.

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

Receivables for balances amounted to €24,231 thousand net of the discounting effect (€96,323 thousand at 31 December 2018), a net decrease of €72,092 thousand reflecting the recovery of balances in 2019 charges and the recognition of €80,362 thousand in profit or loss and the registration of positive balances accrued during the year in the amount of €8,133 thousand. That amount is classified under non-current receivables as it will be recovered in subsequent years in accordance with the Performance Plan.

12. Inventories

Inventories, which are represented by spare parts, amounted to €60,681 thousand net of provisions for doubtful accounts, a net decrease of €302 thousand on the previous year. Changes during the year break down as follows:

<i>(thousands of euros)</i>	31.12.2018	Increases	Decreases	31.12.2019
Bonded inventory	64,966	3,371	(2,972)	65,365
Direct inventory	4,841	852	(470)	5,223
Flight inspection inventory	743	0	(743)	0
	70,550	4,223	(4,185)	70,588
Allowance for inventory losses	(9,567)	(1,317)	977	(9,907)
Total	60,983	2,906	(3,208)	60,681

The increases of €4,223 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 systems, telecommunications, meteorological systems and lighting aids. Part of the increase, equal to €379 thousand, was attributable to parts of systems classified to inventories from property, plant and equipment. The decreases of €4,185 thousand, gross of the inventory loss provision, reflected both the use of spare parts in operating systems and the elimination from the radio aid inventories of flight inspection equipment that could no longer be used in operations.

The provision for inventory losses increased by €1,317 thousand for replacement parts that became obsolete as they were designed for plant no longer in use and decreased by €977 thousand as a result of 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 €37,452 thousand (€22,592 thousand at 31 December 2018) and €68,631 thousand (€56,385 thousand at 31 December 2018), respectively, both increasing, by €14,860 thousand and €12,246 thousand.

The following table provides a breakdown of **intercompany receivables**:

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Due from Group Companies			
Techno Sky	36,940	22,488	14,452
Enav Asia Pacific	183	85	98
D-Flight	243	18	225
IDS AirNav	85	0	85
Consorzio Sicta in liquidazione	1	1	0
Total	37,452	22,592	14,860

The increase mainly regards Techno Sky for the 2018 dividend of €10,768 thousand, which was approved by the shareholders' meeting of 18 April 2019 called to approve the 2018 financial statements but has not been received.

The following table provides a breakdown of **intercompany payables**:

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Due to Group Companies			
Techno Sky	67,169	56,385	10,784
IDS AirNav	1,462	0	1,462
Total	68,631	56,385	12,246

The increase of €12,246 thousand mainly refers to transactions with the subsidiary Techno Sky, 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 and activities related to investment projects for ENAV.

14. Other current and non-current assets

Other current assets amounted to €46,200 thousand and other non-current assets totalled €16,344 thousand, both decreasing compared with the previous year. The item breaks down as follows:

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Other current receivables			
Receivables from government entities for capital grants	32,977	34,839	(1,862)
Receivables from personnel	3,460	3,669	(209)
Receivables from various entities for projects funded	9,508	21,595	(12,087)
Prepaid expenses	354	659	(305)
Other receivables	2,646	2,704	(58)
	48,945	63,466	(14,521)
Provision for doubtful accounts	(2,745)	(3,024)	279
Total	46,200	60,442	(14,242)
Other non-current receivables			
Receivables from government entities for capital grants	16,344	22,110	(5,766)
Total	16,344	22,110	(5,766)

Receivables from government entities for capital grants decreased by €7,628 thousand compared with 31 December 2018, mainly due to the collection of grants under the 4-Flight investment project at the Brindisi Area Control Centre in the amount of €8.2 million. The decrease in this receivable, which is recognized under other non-current receivables, reflects the assignment of a number of investment projects that had not yet begun in 2018, with the consequent recalculation of the discounting and estimated recovery times.

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 (€2,745 thousand) regards expense advances paid to former ENAV employees, 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 2019, €279 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 €9,508 thousand, shows a net decrease of €12,087 thousand mainly due to the collection of the interim payment on projects financed under the Connecting Europe Facility (CEF) calls for 2014 and 2015 in the amount of €15.5 million and to the recognition of the receivable in respect of the CEF call for 2016 project in the amount of €3.2 million following the reporting of the accounts in 2019.

Prepaid expenses decreased by €305 thousand in 2019, mainly due to the attribution to profit or loss of the final instalment 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 2019:

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Bank and post office deposits	429,885	308,171	121,714
Cash and cash equivalents on hand	29	35	(6)
Total	429,914	308,206	121,708

Cash and cash equivalents amounted to €429,914 thousand, a net increase of €121,708 thousand compared with the previous year, reflecting not only developments in receipts and payments connected with ordinary operations, which produced a positive cash flow, but also the following events: i) payment of the dividend of about €108 million; ii) loan repayments of €13.4 million; iii) payment to the MEF of €52 million as the net amount of the payable for en-route receipts and the receivable for exempt flights; iv) payment to the Italian Air Force and ENAC of their share of receipts from the core business in the total amount of €23.2 million; and v) the acquisition of 100% of the share capital of IDS AirNav for €37.9 million. These developments were partly offset by the net receipt of grants under projects financed through the 2014-2020 NOP and projects funded under the Connecting Europe Facility 2014, SESAR 2020 and other minor projects for a total of €31.3 million, by the collection of the VAT reimbursement of €7 million and by the redemption of the expiring term deposit of €9 million.

Cash and cash equivalents are not restricted by encumbrances limiting their availability.

16. Shareholders' equity

Shareholders' equity at 31 December 2019 amounted to €1,143,172 thousand and breaks down as follows.

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Share capital	541,744	541,744	0
Legal reserve	31,810	26,663	5,147
Other reserves	438,706	437,560	1,146
IAS FTA reserve	(3,045)	(3,045)	0
Reserve for actuarial gains/(losses) for employee benefits	(8,037)	(6,256)	(1,781)
Cash flow hedge reserve	2,030	1,957	73
Reserve for treasury shares	(4,973)	(4,973)	0
Retained earnings/(loss carryforward)	33,056	43,312	(10,256)
Profit (loss) for the year	111,881	102,935	8,946
Total shareholders' equity	1,143,172	1,139,897	3,275

On 26 April 2019 at the Ordinary Shareholders' Meeting called, among other things, to approve the financial statements at 31 December 2018, it was decided to distribute to the shareholders a total dividend of €0.1998 per share corresponding to a total dividend of €108 million. Of the total, €97.8 million was paid from net profit, after the allocation of 5%, equal to €5.1 million, to the legal reserve, and from retained earnings in the amount of about €10 million.

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 2019 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 2019, 5% of profit for the year was allocated to the legal reserve in an amount equal to €5,147 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 €2.3 million 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 loss registered at 31 December 2019.

The **cash flow hedge reserve** includes the impact of the measurement at fair value of hedging derivatives, which shows a net increase of €73 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. The decrease of €10,256 thousand on the previous year reflects the portion of the 2018 dividend drawn from retained earnings and €43 thousand from the effects of the application of IFRS 16.

Profit for the year amounted to €111,881 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.

<i>(thousands of euros)</i>	Amount	Possible uses
Capital reserves		
Other reserves	431,387	A, B, C
Earnings reserves		
Legal reserve	31,810	unavailable
IAS FTA reserve	(3,045)	unavailable
Reserve for actuarial gains/(losses) for employee benefits	(8,037)	unavailable
Cash flow hedge reserve	2,030	unavailable
Stock grant reserve	2,346	unavailable
Retained earnings	33,056	A, B, C
Total reserves	489,547	

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 €1,778 thousand, of which the portion classified in current liabilities totalled €787 thousand, and changed as follows during the year:

<i>(thousands of euros)</i>	31.12.2018	Increases	To profit or loss	Decreases	31.12.2019
Provisions for disputes with personnel	920	268	0	(420)	768
Provisions for other pending litigation	72	55	0	0	127
Other risk provisions	1,410	0	(527)		883
Total provisions for risks and charges	2,402	323	(527)	(420)	1,778

Provisions for disputes with personnel, the short-term portion of which stood at €660 thousand, declined by a net €152 thousand during the year as a result of the settlement of disputes with the use of provisions in the amount of €420 thousand and new provisions for liabilities that could merge from labour disputes of various types. At 31 December 2019 the total value of legal claims relating to outstanding disputes for which the Company's legal counsel have deemed the risk of a loss to be possible is €0.3 million.

Provisions for other pending litigation, classified entirely at short term, increased by €55 thousand during the year, reflecting the updated assessment of the risk in respect of a dispute with a supplier. At 31 December 2019, the estimated charges related to outstanding disputes for which the Company's legal counsel have deemed the risk of a loss to be possible is €1.5 million.

Other risk provisions, classified entirely under non-current liabilities, decreased by €527 thousand as the result of a reassessment of the risk exposure, which made it possible to release €527 thousand while maintaining a portion in respect of the contract for the modernisation of flight assistance systems at the Parma airport.

18. Severance pay and other employee benefits

The provision for severance pay and other employee benefits amounted to €36,584 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 employees at the end of their employment relationship.

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

<i>(thousands of euros)</i>	31.12.2019	31.12.2018
Liabilities for employee benefits at the beginning of the year	35,475	37,703
Interest cost	354	524
Actuarial (gains)/losses on defined benefits	2,343	(1,162)
Advances, benefit payments and other variations	(1,588)	(1,590)
Liabilities for employee benefits at the end of the year	36,584	35,475

The interest cost component of the provision, equal to €354 thousand, was recognised under financial expense. The utilisation of €1,588 thousand of the severance pay provision reflected benefits paid out to personnel leaving during the year and advances disbursed to personnel who so requested

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 2019 this calculation generated actuarial losses of €2,343 thousand, compared with the actuarial gain recognised the previous year.

The main actuarial assumptions used in the actuarial estimation of the severance pay provision at 31 December 2019 are summarised below, with comparative figures at 31 December 2018:

	31.12.2019	31.12.2018
Discount rate	0.77%	1.57%
Inflation rate	1.20%	1.50%
Rate of annual increase in severance pay	2.400%	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 rate used 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.

	Liabilities for defined benefit for employees	
<i>(thousands of euros)</i>	31.12.2019	31.12.2018
Turnover rate + 1%	36,505	35,469
Turnover rate - 1%	37,113	35,773
Inflation rate + 0.25%	37,354	36,159
Inflation rate - 0.25%	36,243	35,077
Discount rate + 0.25%	35,909	34,757
Discount rate - 0.25%	37,710	36,501

The average duration of the liability for defined benefit plans is 10.4 years.

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 2019 included under current liabilities; and iii) lease liabilities emerging from the application of the new IFRS 16.

The values at 31 December 2019 compared with those for the previous year and the associated changes are shown below:

<i>(thousands of euros)</i>	31.12.2019			31.12.2018			Change		
	current	non-current	Total	current	non-current	Total	current	non-current	Total
Bank loans	13,639	143,713	157,352	13,506	157,253	170,759	133	(13,540)	(13,407)
Bond	1,418	180,000	181,418	1,418	180,000	181,418	0	0	0
Lease liabilities ex IFRS 16	783	1,828	2,611	0	0	0	783	1,828	2,611
Total	15,840	325,541	341,381	14,924	337,253	352,177	916	(11,712)	(10,796)

The following table provides a breakdown of the net financial position at 31 December 2019 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.

<i>(thousands of euros)</i>	31.12.2019		31.12.2018	
		of which related parties		of which related parties
(A) Cash	429,914	535	308,206	558
(B) Other cash equivalents	0	0	0	0
(C) Trading securities	0	0	0	0
(D) Liquidity (A)+(B)+(C)	429,914	535	308,206	558
(E) Current financial receivables	30,009	0	9,001	0
(F) Current financial debt	0	0	0	0
(G) Current portion of non-current debt	(15,057)	0	(14,924)	0
(H) Other current financial debt	(783)	0	0	0
(I) Current financial debt (F)+(G)+(H)	(15,840)	0	(14,924)	0
(J) Net current financial debt/liquidity (D)+(E)+(I)	444,083	535	302,283	558
(K) Non-current bank loans	(143,713)	0	(157,253)	0
(L) Bonds issued	(180,000)	0	(180,000)	0
(M) Other non-current debt	(1,828)	0	0	0
(N) Non-current financial debt	(325,541)	0	(337,253)	0
(O) CONSOB Net financial debt (J)+(N)	118,542	535	(34,970)	558
(P) Current and non-current derivative instruments	95	0	6	0
(Q) Non-current financial receivables	3,346	0	28,106	0
(R) ENAV net financial debt (O)+(P)	121,983	535	(6,858)	558

Bank loans at 31 December 2019 decreased by €13,407 thousand following the repayment of loans and the effects associated with amortised cost measurement. Specifically, repayments involved the following loans:

- the repayment of two half-year instalments of the loan from the EIB in the total amount of €5,333 thousand, with the final payment falling due on 12 December 2032;
- the repayment of two half-year instalments of another loan from the EIB in the total amount of €8,084 thousand, with the final payment falling due on 19 December 2029.

The instalments of the above loans falling due in 2020 in line with the repayment plans are recognised under current liabilities in the total amount of €13,639 thousand, which includes the effect of amortised cost measurement.

At 31 December 2019, the Company had uncommitted short-term credit lines totalling €133 million, in addition to the share of the long-term EIB loan of €70 million not yet used, resulting in available liquidity of €203 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	Financial advances	49,000	0	49,000	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	157,334	Fixed rate + 1.515/1.010
Total		453,000	180,000	273,000	157,334	

The average interest rate on bank loans in the reference period was 1.70%, broadly in line with the rate for the previous year (1.66%).

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 €188.7 million.

The Company estimated the fair value of the instrument on the basis of market data from a leading information provider, applying the Company's Mid-Z spread (an additional spread for the ENAV counterparty) to the zero curve.

Lease liabilities under IFRS 16 include a total of €2,611 thousand in financial liabilities in respect of rights of use recognised in application of the new standard and consistent with contractual due dates. During 2019, that liability declined as a consequence of payments made.

20. Current and non-current trade payables

Current trade payables amounted to €129,340 thousand, a net increase of €9,021 thousand on the previous year, reflecting the changes in the items reported in the following table:

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Current trade payables			
Payables to suppliers	97,310	82,933	14,377
Payables for advances received for projects with EU financing	8,527	14,489	(5,962)
Payables for balances	23,503	22,897	606
Total	129,340	120,319	9,021
Non-current trade payables			
Payables for balances	49,242	34,842	14,400
Total	49,242	34,842	14,400

Payables to suppliers of goods and services necessary for the Company's operations show a net increase of €14.4 million, reflecting the increase in invoices received in December 2019 compared with the previous year, with a consequent reduction in payments.

Payables for advances received for projects with EU financing, amounting to €8,527 thousand, decreased by a net €5,962 thousand compared with 31 December 2018. The item includes: i) a reduction in pre-financing for the 2016 call of the Connecting Europe Facility (€11.4 million), which following the final accounting led to the recognition of the accrued portion in profit or loss, the reclassification to deferred income of the part allocated to investment projects and the recognition of receivables from others of the amounts to be received as interim payments from the European Commission; ii) the receipt of the first pre-financing for the 2017 call of the CEF in the amount of €3.8 million; and iii) collection of pre-financing under the Sesar 2020 Wave 2 in the amount of €1.5 million.

Payables for Eurocontrol balances amounted to €72,745 thousand, of which the part classified under current payables came to €23,503 thousand and corresponds to the amount that will be charged to profit or loss in 2020 in accordance with changes in charges. The overall increase of €15 million in payables for balances at 31 December 2019 compared with the previous year mainly reflect the net effect of the registration of new balances in 2019, mainly in respect of the en-route and terminal inflation balances of €24.9 million (up €7 million on 2018), the traffic risk balance of Charging Zone 2 of €6.2 million (an increase of €1.6 million on 2018) and balances for Eurocontrol costs of €4.5 million (down €6 million on 2018) and the recognition in profit or loss of the 2019 share, consistent with changes in charges, in the total amount of €23.5 million.

21. Other current and non-current liabilities

Other current and non-current liabilities showed an overall increase of €14,753 thousand compared with the previous year, as a result of the changes in the items reported in the following table:

<i>(thousands of euros)</i>	31.12.2019			31.12.2018			Change		
	current	non-current	Total	current	non-current	Total	current	non-current	Total
Payments on account	93,410	0	93,410	80,985	0	80,985	12,425	0	12,425
Other payables	35,936	1,027	36,963	38,526	0	38,526	(2,590)	1,027	(1,563)
Deferred income	8,158	175,523	183,681	7,304	172,486	179,790	854	3,037	3,891
Total	137,504	176,550	314,054	126,815	172,486	299,301	10,689	4,064	14,753

Payments on account amounted to €93,410 thousand and include €88,290 thousand in respect of the Parent Company's debt to the Italian Air Force (IAF) for the portion of accrued revenues received in 2019 for en-route and terminal services and €5,120 thousand in respect of the debt to Italian Civil Aviation Authority (ENAC) for accrued revenues concerning the same services. The net increase of €12,425 thousand for the year reflects the increase in receipts in 2019 for en-route and terminal services. During the year, the AIF was paid its accrued share for terminal services in the amount of €18.8 million, IAF payments on account for en-route services registered at 31 December 2018 were offset against the receivable due from the Ministry for the Economy and Finance (MEF), which produced a liability paid in November in the amount of €52 million and ENAC was paid the amount accrued in respect of 2018 in the amount of €4.4 million.

Other payables amounted to €36,963 thousand, a net decrease of €1,563 thousand compared with the previous year. On the one hand, this reflected a reduction in payables to personnel, with provisions accrued, including the liability for holiday entitlement accrued and not taken, totalling €26,429 thousand (€31,427 thousand at 31 December 2018) and, on the other, the liability recognized in respect of IDS Ingegneria dei Sistemi S.p.A. for the amount withheld to secure the acquisition of IDS AirNav S.r.l., of which €1,027 thousand falling due at more than 12 months.

Deferred income mainly refers to deferred income relating to investment projects that had received grant support, of which the current portion represents the amount that will be reversed to profit or loss in the next 12 months. In particular, the item includes: i) the Infrastructure and Networks NOP 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 or loss, of €84,145 thousand (€89,006 thousand at 31 December 2018); ii) capital grants for investments at military airports, in accordance with the provisions of Law 102/09, amounted to €59,549 thousand (€61,672 thousand at 31 December 2018); iii) grants linked to the investment projects funded through the 2014, 2015 and 2016 calls of the CEF programme in the amount of €35,435 thousand (€24,226 thousand at 31 December 2018), increasing as a result of the final accounting of the investment projects receiving 50% funding under the 2016 call of the CEF programme.

22. Tax and social security payables

Tax and social security payables amounted to €29,468 thousand and break down as shown in the following table.

<i>(thousands of euros)</i>	31.12.2019	31.12.2018	Change
Tax payables	13,987	7,129	6,858
Social security payables	15,481	17,347	(1,866)
Total	29,468	24,476	4,992

Tax payables show an increase of €6,858 thousand, mainly attributable to the liability for current IRES (corporate income tax) of 7,421 thousand, compared with a credit in 2018.

Social security payables declined by €1,866 thousand, mainly reflecting the decrease in contributions on accrued personnel costs amounting to €7,128 thousand (€8,655 thousand at 31 December 2018).

Notes to the income statement

23. Revenues from contracts with customers

Revenues from contracts with customers, represented by revenues from operating activities and the balance adjustment component, totalled €850,915 thousand, up €14,486 thousand compared with the previous year, mainly due to the increase in air traffic in 2019.

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.

<i>(thousands of euros)</i>	2019	2018	Change	%
En-route revenues	689,386	675,414	13,972	2.1%
Terminal revenues	231,067	222,580	8,487	3.8%
En-route and terminal exemptions	12,113	13,074	(961)	-7.4%
Revenues from non-regulated market	5,324	6,048	(724)	-12.0%
Total revenues from operations	937,890	917,116	20,774	2.3%
Balances	(86,975)	(80,687)	(6,288)	8%
Total revenues from contract with customers	850,915	836,429	14,486	1.7%

En-route revenues

En-route revenues amounted to €689,386 thousand, an increase of 2.1% compared with the previous year, reflecting the increase of 6.6% 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 2018 (+9.3% in 2018 over 2017). The rise offset the decrease of 2.5% in the en-route charge applied in 2019 (€77.96 compared with €79.98 in 2018), a decrease of 4% if only the charge net of balances is considered.

Considering en-route revenues including the exempt flights component, which posted a decrease of €774 thousand as a result of the decline of 3.6% in service units during the year (-6.6% in 2018 over 2017), and the adjustment component for balances, which includes the portion recognised in the year including the effect of discounting, the portion recognised in previous years and included in charges in 2019 and, consequently, profit or loss for the same year, and the balance for changes in Eurocontrol costs, en-route revenues totalled €625,260 thousand, an increase of €11,285 thousand, as shown below:

<i>(thousands of euros)</i>	2019	2018	Change	%
En-route revenues	689,386	675,414	13,972	2.1%
En-route exemptions	9,673	10,447	(774)	-7.4%
<i>Subtotal en-route revenues</i>	<i>699,059</i>	<i>685,861</i>	<i>13,198</i>	<i>1.9%</i>
En-route balances for the year	(20,007)	(12,909)	(7,098)	55.0%
Discounting of balances for the year	408	286	122	42.7%
Use of en-route balances n-2	(53,655)	(54,668)	1,013	-1.9%
<i>Subtotal balances</i>	<i>(73,254)</i>	<i>(67,291)</i>	<i>(5,963)</i>	<i>8.9%</i>
<i>En-route revenues net of balances</i>	<i>625,805</i>	<i>618,570</i>	<i>7,235</i>	<i>1.2%</i>
Balances delta Eurocontrol costs prev. year	(545)	(4,595)	4,050	-88.1%
Total revenues from en-route operations net of balances	625,260	613,975	11,285	1.8%

The en-route balance had a negative impact totalling €73,254 thousand in respect of the part directly connected with revenues generated in the year, an increase of €5,963 thousand on 2018, and an additional negative €545 thousand in respect of the adjustment for Eurocontrol costs for 2018. The previous year, the amount recognised was equal to €5.9 million.

The negative change in in balances for the year is mainly attributable to the inflation balance, which amounted to a negative €21,262 thousand (€15,278 thousand in 2018), 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 0.6% (1.6% envisaged in the Performance Plan for 2019). There was no balance for traffic risk borne by ENAV during the year, as 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 +1.5% (-1.25% in 2018). The balance for Eurocontrol traffic risk, determined on a cost recovery basis, was a negative €781 thousand (a positive €633 thousand in 2018), while the balance for Eurocontrol costs, which is not covered by the cost-risk mechanism, was a negative €3.9 million. Finally, thanks to the achievement of the plan target for en-route capacity, having posted 0.021 minutes of delay per assisted flight, compared with the target of 0.11 minutes per assisted flight set in the plan, the balance for the capacity bonus was recognised in the amount of €6,991 thousand (€6,859 thousand in 2018).

The use of the en-route n-2 balance accumulated in previous years and included in 2019 charges amounted to €53,655 thousand, a slight decrease compared with 2018.

Terminal revenues

Terminal revenues amounted to €231,067 thousand, an increase of 3.8% compared with the previous year, due to the increase in service units posted by the individual airports, divided by charging zones, which came to 3.6% overall (+5.1% in 2018 over 2017), compensating for the reduction in charges applied in the second and third charging zones.

In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted an increase in assisted air traffic, expressed in service units, of 1.6% (+5.7% in 2018 on 2017), with growth in international air traffic

and an increase in charges of 1.81% over 2018 (€190.69 in 2019 compared with €187.30 in 2018). *Charging Zone 2*, represented by the airports of Milan Malpensa, Milan Linate, Venice Tesserà and Bergamo Orio al Serio, posted a good increase in assisted air traffic, expressed in service units, of 4.3% (+5.3% in 2018 on 2017), with both national and international traffic expanding, offsetting the reduction of 2.71% in the terminal charge for 2019 to €197.56 (€203.06 in 2018). *Charging Zone 3*, which comprises 40 medium- and low-traffic airports recorded an increase in assisted air traffic, expressed in service units, of 4.0% (+4.8% in 2018 on 2017), with both national and international traffic expanding, offsetting the reduction of 0.37% reduction in the terminal charge for 2019 to €318.98 (€320.18 in 2018).

Considering terminal revenues including the exempt flights component, which decreased by €187 thousand as service units declined by 9.7% (+1.0% in 2018 over 2017), and the adjustment component for balances, which includes the portion recognised in 2019 including the effect of discounting, the portion recognised in previous years and included in charges in 2019 and, consequently, profit or loss for the same year, terminal revenues totalled €220,331 thousand, up €3,925 thousand on 2018, as shown below:

<i>(thousands of euros)</i>	2019	2018	Change	%
Terminal revenues	231,067	222,580	8,487	3.8%
Terminal exemptions	2,440	2,627	(187)	-7.1%
<i>Subtotal</i>	<i>233,507</i>	<i>225,207</i>	<i>8,300</i>	<i>3.7%</i>
Terminal balances for the year	(10,104)	(8,396)	(1,708)	20.3%
Discounting of balances for the year	169	137	32	23.4%
Use of terminal balances n-2	(3,241)	(542)	(2,699)	n.a.
<i>Subtotal</i>	<i>(13,176)</i>	<i>(8,801)</i>	<i>(4,375)</i>	<i>49.7%</i>
Total revenues from terminal operations net of balances	220,331	216,406	3,925	1.8%

Terminal balances amounted to a negative €13,176 thousand, an increase of €4,375 thousand compared with 2018, mainly due to the increase in the use of the balances recognised in previous years and included in the charge in 2019 and thus recognised in profit or loss. With regard to the terminal balances for the year, we have: i) an overall negative balance of €996 thousand (a negative €792 thousand in 2018) was posted by Charging Zone 1, comprising a positive balance of €241 thousand for traffic risk, reflecting the decrease of 2.82% in service units generated in 2019 compared with the Performance Plan forecast (-2.42% in 2018), a negative inflation balance of €1,518 thousand (€1,065 thousand in 2018) and a balance for the terminal capacity bonus of €177 thousand (€86 thousand in 2018); ii) an overall negative balance of €7,753 thousand for Charging Zone 2 (a negative €5,775 thousand in 2018), reflecting the traffic balance reimbursed to carriers for the greater assisted air traffic posted in the final accounts compared with the Performance Plan forecast, equal to +9.41% (+7.0% in 2018), and the negative inflation balance of €2,197 thousand (€1,545 thousand in 2018), only partly offset by the capacity bonus of €271 thousand (€133 thousand in 2018); and iii) a negative balance for Charging Zone 3, determined on a cost-recovery basis, of a negative €1,354 thousand (-€1,829 thousand in 2018), 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 €5,324 thousand, a decrease of 12% 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. Revenues from the non-regulated market include revenues from national and international radio-assistance services amounting to €2.3 million, those from training activities amounting to €0.3 million and those from consulting activities, mainly on the international market, totalling €2.6 million.

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

<i>(thousands of euros)</i>	2019	2018	Change	%
Revenues from non-regulated market				
Flight inspection	2,312	2,593	(281)	-10.8%
Aeronautical consulting	752	1,403	(651)	-46.4%
Technical and engineering services	790	791	(1)	-0.1%
Training	332	248	84	33.9%
Other revenues	1,138	1,013	125	12.3%
Total revenues from non-regulated market	5,324	6,048	(724)	-12.0%

24. Other operating income

Other operating income amounted to €48,861 thousand, a decrease of 12.9% on the previous year (€56,116 thousand in 2018), mainly reflecting a decrease in revenue from European financing, which in 2018 included the funds released following final accounting for Connecting Europe Facility (CEF) projects under the 2014 and 2015 calls. Other operating income includes: the portion of capital grants recognised in profit or loss commensurate with the depreciation charges on the assets to which the grants refer in the amount of €9,023 thousand; ii) operating grants of €30,288 thousand, of which the majority (€30 million) in respect of the amount paid to ENAV under Article 11-*septies* of Law 248/05 to offset the costs incurred to guarantee the safety of its plant and operational safety; (iii) European funding of €4,193 thousand disbursed following the submission of final accounts for a range of projects, including projects under the 2016 call of the CEF, Sesar 2020, Darwin, Blue Gns and other minor projects completed during the year; and iv) other operating revenues of €5,358 thousand, a decrease of 23.7% compared with 2018, when those revenues had included the capital gain on the sale of the Academy complex in Forlì for a total of €755 thousand and the effect of the settlement of outstanding disputes with a number of suppliers. The item mainly includes the rebilling of costs incurred for service activities carried out by ENAV for the subsidiaries, the reimbursement of costs incurred previously for the Academy in Forlì, and 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 2019 and 2018 by geographical area:

Revenues	2019	% of revenues	2018	% of revenues
Italy	896,457	99.6%	888,553	99.6%
EU	2,038	0.2%	994	0.1%
Non-EU	1,281	0.1%	2,998	0.3%
Total revenues	899,776		892,545	

(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 €188,809 thousand, a net increase of €2,427 thousand on the previous year, reflecting the impact of the new four-year contract signed with the subsidiary Techno Sky in 2019 for the technical management and maintenance of the equipment and systems associated with air navigation services and non-operational services, which envisages an increase in the activities covered by the contract and the alignment of prices and fees with market rates.

(thousands of euros)	2019	2018	Change	%
Costs for the purchase of goods	4,887	3,533	1,354	38.3%
Costs for services:				
Maintenance costs	86,805	79,503	7,302	9.2%
Costs for Eurocontrol fees	37,150	37,563	(413)	-1.1%
Costs for utilities and telecommunications	28,768	31,446	(2,678)	-8.5%
Costs for insurance	2,548	2,579	(31)	-1.2%
Cleaning and security	4,295	4,286	9	0.2%
Other personnel-related costs	7,435	7,028	407	5.8%
Professional services	6,272	6,036	236	3.9%
Other costs for services	7,290	7,644	(354)	-4.6%
Total costs for services	180,563	176,085	4,478	2.5%
Costs for leases and rentals	1,078	2,123	(1,045)	-49.2%
Other operating expenses	2,281	4,641	(2,360)	-50.9%
Total costs for services	188,809	186,382	2,427	1.3%

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. The increase of €1,354 thousand on 2018 mainly reflects an increase in purchases of spare parts for radar equipment, meteorological systems and lighting aids.

Costs for services showed a net increase of €4,478 thousand compared with the previous year, which was mainly attributable to i) an increase in maintenance costs associated with the new contract signed with Techno Sky reported earlier; ii) a reduction of 8.5% in costs for utilities and telecommunications, reflecting the decrease in costs connected with the E-NET1 network, thanks to the discount obtained from the supplier in the contract for the migration to the new E-NET2 network, and a reduction in costs for utilities as a result of the cancellation of debtor positions and the settlement of a dispute with a supplier, with an

overall positive effect of €1.5 million; iii) an increase of 3.9% in costs for professional services, mainly reflecting the advisory costs incurred in the acquisition of IDS AirNav.

Costs for leases and rentals decreased by 49.2% compared with 2018, mainly due to the application of IFRS 16 as from 1 January 2019, which provides for the capitalization of costs in respect of lease payments on property and car leases as right-of-use assets under property, plant and equipment, with depreciation charges being recognized through profit or loss. The remainder regard low-value costs, short-term leases and the non-lease components of lease arrangements, which are not capitalised.

Other operating expenses amounted to €2,281 thousand, down 50.9% on the previous year, reflecting the derecognition of debtor positions no longer due, which were identified following an analysis that determined the liability did not exist, in the amount of about €1 million and a decrease in losses on receivables (€145 thousand) compared with 2018, when they had amounted to €1 million.

26. Personnel costs

Personnel costs totalled €430,739 thousand, a net increase of 2.3% compared with 2018, reflecting both the effects of the contract renewal and the agreement on measures for managing the increase in air traffic in the 2019 summer season.

<i>(thousands of euros)</i>	2019	2018	Change	%
Wages and salaries, of which:				
Fixed remuneration	241,438	242,542	(1,104)	-0.5%
Variable remuneration	65,522	53,825	11,697	21.7%
Total wages and salaries	306,960	296,367	10,593	3.6%
Social security contributions	98,474	95,917	2,557	2.7%
Employee severance pay	19,739	19,254	485	2.5%
Other costs	5,566	9,638	(4,072)	-42.2%
Total personnel costs	430,739	421,176	9,563	2.3%

Fixed remuneration declined by €1,104 thousand despite the effects of the contract renewal for 2017-2019 period and the ordinary increase in remuneration under automatic contractual provisions, benefiting from a decrease of 56 in the average workforce compared with 2018 and changes in the remuneration mix as a result of terminations and new hires. Variable remuneration showed a net increase of 21.7%, reflecting i) the effects of the 2019 summer season agreement reached with the unions in April 2019 in order to manage activities in the June-September period to handle the increase in traffic while ensuring safety and on-time performance; ii) the increase in overtime work connected with the greater volume of air traffic handled during the year; iii) the increase in costs connected with indemnities for holidays falling on non-business days, reflecting calendar effects; and iv) the increase in costs for holiday entitlement and indemnities for eliminated holidays owing to a decline in the use of that entitlement for holidays.

Social security contributions increased by 2.7% as a consequence of wage increases connected with the factors mentioned previously, while other personnel costs fell by 42.2% due to the decrease in the cost of early retirement incentives for employees, which involved 15 employees compared with 43 in 2018.

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

	2019	2018	Change
Executives	42	49	(7)
Middle managers	352	355	(3)
Office staff	2,923	2,916	7
Workforce at period end	3,317	3,320	(3)
Average workforce	3,329	3,385	(56)

	2019	2018	Change
Management and coordination	394	404	(10)
Air traffic controllers	1,701	1,716	(15)
Flight assistance experts	428	411	17
Meteorological services	29	30	(1)
Flight inspection	22	22	0
Administration	452	455	(3)
Technical	203	191	12
IT	88	91	(3)
Workforce	3,317	3,320	(3)

27. Capitalised costs

Capitalised costs amounted to €7,783 thousand (€7,449 thousand in 2018) and are entirely accounted for by the capitalisation of the cost of employees working on investment projects under way.

28. Financial income and expense

Financial income and expense show net income of €6,376 thousand (net expense of €3,134 thousand in 2018), reflecting financial income of €12,873 thousand, financial expense of €6,601 thousand and foreign exchange gains/losses of €105 thousand.

The following table provides a breakdown of financial income.

<i>(thousands of euros)</i>	2019	2018	Change	%
Income from investments in other entities	11,185	500	10,685	n.a.
Financial income from discounting of non-current receivables	195	0	195	n.a.
Financial income from non-current assets	174	9	165	n.a.
Financial income from discounting of balances	170	1,037	(867)	-83.6%
Interest income on financial receivables from subsidiaries	122	75	47	62.7%
Other interest income	1,027	2,213	(1,186)	-53.6%
Total financial income	12,873	3,834	9,039	n.a.

The increase of €9,039 thousand in financial income mainly refers to the dividend approved by the shareholders' meeting of Techno Sky held on 18 April 2019 to approve the 2018 financial statements for a

total of €10,768 thousand. Other interest income mainly consisted of default interest for late payment of receivables by customers and decreased by €1.2 million, reflecting the effect of the recognition in 2018 the 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 €6,601 thousand, a decrease of €560 thousand on the previous year, reflecting a decline in interest expense on bank loans extinguished in 2018 and those being repaid, as well as a decrease in the interest cost on employee benefits.

The following table provides a breakdown of financial expense:

<i>(thousands of euros)</i>	2019	2018	Change	%
Interest expense on bank loans	2,406	2,614	(208)	-8.0%
Interest expense on bonds	3,474	3,474	0	0.0%
Interest expense on employee benefits	354	524	(170)	-32.4%
Interest expense on lease liabilities	55	0	55	n.a.
Financial expense on derivatives at fair value	10	76	(66)	-86.8%
Financial expense on discounting of receivables	293	369	(76)	n.a.
Other interest expense	9	104	(95)	-91.3%
Total financial expense	6,601	7,161	(560)	-7.8%

29. Income taxes

Income taxes totalled €41,357 thousand, a decrease of 1.3% on the previous year that reflected tax changes, including the tax exemption of 95% of the dividend authorised during the year, which offset the increase in taxes associated with the increase in taxable income. The following table provides a breakdown of taxes for the year:

<i>(thousands of euros)</i>	2019	2018	Change	%
IRES (corporate income tax)	34,069	26,767	7,302	27.3%
IRAP (regional business tax)	7,092	7,147	(55)	-0.8%
Taxes from previous fiscal years	0	(30)	30	-100.0%
Total current taxes	41,161	33,884	7,277	21.5%
Deferred tax assets	(30)	8,813	(8,843)	-100.3%
Deferred tax liabilities	226	(814)	1,040	-127.8%
Total current tax and deferred tax assets and liabilities	41,357	41,883	(526)	-1.3%

For more details on the recognition of deferred tax assets and liabilities, please see Note 8.

The IRES tax rate for 2019 was equal to 22.2%, an increase on the 18.5% in 2018, when it was less influenced by the change in deferred taxation and benefits from the partial tax exemption of the dividend. The IRAP tax rate for 2019 was 4.63%, a decline on the 4.9% posted in 2018 as a result of the differences in the result of finance operations.

<i>(thousands of euros)</i>	2019		2018	
			IRES	%
Income before taxes	153,238		144,818	
Theoretical tax	36,777	24%	34,756	24%
Effect of increases/(decreases) compared with ordinary taxation				
Non-deductible prior-year costs	12	0.0%	42	0.0%
IRES deduction of IRAP paid on personnel costs	(183)	-0.1%	(178)	-0.1%
Other	(2,177)	-1.4%	62	0.0%
Temporary differences for taxed provisions	(360)	-0.2%	(7,915)	-5.5%
Actual IRES	34,069	22.2%	26,767	18.5%

<i>(thousands of euros)</i>	2019		2018	
			IRAP	%
Income before taxes	153,238		144,818	
Theoretical tax	7,325	4.78%	6,922	4.78%
Effect of increases/(decreases) compared with ordinary taxation				
Other	139	0.09%	516	0.4%
Temporary differences for taxed provisions	(67)	-0.04%	(441)	-0.3%
Financial income and expense	(305)	-0.20%	150	0.1%
Actual IRAP	7,092	4.63%	7,147	4.9%

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 ENAV, 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 Company transactions with related entities, including those with directors, statutory auditors and key management personnel for 2019 and 2018, respectively.

	Balance at 31.12.2019							
	Trade receivables and other current and non-current assets	Current and non-current financial assets	Cash and cash equivalents	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 income
Direct subsidiaries								
Techno Sky S.r.l	36,940	0	0	67,169	1,886	73,608	1	10,769
IDS AirNav S.r.l.	85	5,042	0	1,462	71	0	0	42
Enav Asia Pacific Sdn Bhd	183	0	0	0	652	0	0	0
Enav North Atlantic LLC	0	3,346	0	0	0	0	0	79
D-Flight S.p.A.	243	0	0	0	381	0	0	0
Consorzio Sicta in liquidazione	1	0	0	0	0	0	0	0
External related parties								
Ministry for the Economy and Finance	12,115	0	535	77,515	12,113	0	0	0
Ministry of Infrastructure and Transport	79,459	0	0	0	35,174	0	0	0
Enel Group	0	0	0	585	0	5,908	0	0
Leonardo Group	76	0	0	16,773	90	528	0	0
Other external related parties	0	0	0	63	90	162	22	0
Balance in financial statements	299,671	33,450	429,914	335,475	899,776	185,449	1,078	12,873
<i>as % of balance in financial statements</i>	43.1%	25.1%	0.1%	48.8%	5.6%	43.2%	2.1%	84.6%

(thousands of euros)

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 income
Direct subsidiaries									
Techno Sky S.r.l.	22,486	0	0	0	56,385	1,573	66,763	0	0
Consorzio Sicta in liquidazione	1	0	0	0	0	0	0	0	0
Enav Asia Pacific Sdn Bhd	85	0	0	0	0	340	0	0	0
Enav North Atlantic LLC	0	3,205	0	0	0	0	0	0	75
D-Flight S.p.A.	18	0	0	0	0	18	0	0	0
External related parties									
Ministry for the Economy and Finance	13,076	0	558	0	65,100	13,074	0	0	0
Ministry of Infrastructure and Transport	87,259	0	0	0	0	35,399	0	0	0
Enel Group	0	0	0	0	673	0	1,385	0	0
Leonardo Group	223	0	0	0	15,000	255	1,198	0	0
Poste Italiane Group	0	0	0	0	11	0	84	65	0
Other external related parties	0	0	0	0	67	56	128	3	0
Balance in financial statements	368,964	28,106	308,206	14,924	303,521	973,232	184,258	2,123	3,834
<i>as % of balance in financial statements</i>	33.4%	11.4%	0.2%	0.0%	45.2%	5.2%	37.8%	3.2%	2.0%

(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. Revenues from intercompany services provided on a centralised basis by ENAV and the remuneration of the members of the boards of directors of subsidiaries who are ENAV employees, which is passed through to the Parent Company, are recognized under revenues in the income statement;
- transactions with D-Flight concern the intercompany services provided centrally by ENAV and the remuneration of the members of the boards of directors of subsidiaries who are ENAV employees, which is passed through to the Parent Company;
- 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 the Enel Group regard agreements for the supply of electricity for a number of sites;
- 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, namely the Chief Financial Officer, the Chief Human Resources and Corporate Services Officer, the Chief Operating Officer and the Chief Technology Officer.

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

<i>(thousands of euros)</i>	2019	2018
Short/medium-term remuneration	2,006	2,245
Other long-term benefits	0	0
Share-based payments	575	410
Total	2,581	2,655

The remuneration of the ENAV's Board of Auditors for 2018 amounted to €93 thousand (€90 thousand in 2018), in compliance with the resolution of the Shareholders' Meeting of 26 April 2019 appointing the members of the Board of Auditors for 2019-2021.

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 start of the third cycle for the 2019-2021 period was approved by the Board of Directors on 15 May 2019.

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 each 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, namely the CEO, key management personnel and other selected managers.

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 for the three-year period, 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 four terminated their employment relationship between 2018 and 2019. The cost recognised for 2019 takes account of the determination of achievement of the targets for the period, for a cost of €0.6 million, while the liability, recorded in a specific equity reserve, amounted to €1.5 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 2019 was equal to €0.3 million, equivalent to the liability recognised in the specific equity reserve.

Third cycle 2019-2021

The target was also assumed to have been reached for the second cycle of the plan, 176,545 shares and a total fair value of €0.8 million. The third cycle envisaged 8 beneficiaries and the cost recognised for 2019 was equal to €0.3 million, equivalent to the liability recognised in the specific equity reserve.

32. Derivatives

During April 2019, ENAV entered into five derivative contracts, one of which exercised in the first half of the year, with the aim of hedging exposure to unfavourable developments in the euro/dollar exchange rate deriving from the Data Services Agreement signed with Aireon LLC for the acquisition of satellite surveillance data. This contract provides for the payment in dollars of service fees on an annual basis until 2023. The exchange rate risk was managed through forward currency purchases whose residual notional value at the reporting date was \$4.2 million.

The fair value of derivatives was a positive €95.8 thousand at 31 December 2019. 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 2019, as indicated in bank communications, are listed below:

Counterparty	Transaction type	Inception date	Expiration date	Notional (thousands of AED)	Forward exchange rate	Forward value (thousands of euros)	MtM Bank (thousands of euros)
BNL - BNP Paribas	Buy USD (Fwd)	02/04/2019	15/01/2020	590	1.1464	515	10.9
BNL - BNP Paribas	Buy USD (Fwd)	02/04/2019	15/01/2021	810	1.1776	688	17.8
BNL - BNP Paribas	Buy USD (Fwd)	02/04/2019	14/01/2022	1,392	1.2063	1,154	34.4
BNL - BNP Paribas	Buy USD (Fwd)	02/04/2019	13/01/2023	1,392	1.2340	1,128	37.0
Total				4,184		3,485	100.1

The fair value at the end of 2019 is reported in the following table, adjusted to take account of the Credit Valuation Adjustment:

Counterparty	Transaction type	Notional (thousands of USD)	Forward value (thousands of euros)	MtM	Credit Value Adjustment (CVA)	MtM CVA (thousands of euros)
BNL - BNP Paribas	Buy USD (Fwd)	590	515	10.4	0.0	10.4
BNL - BNP Paribas	Buy USD (Fwd)	810	688	17.0	0.0	17.0
BNL - BNP Paribas	Buy USD (Fwd)	1,392	1,154	33.1	(0.1)	33.0
BNL - BNP Paribas	Buy USD (Fwd)	1,392	1,128	35.6	(0.3)	35.4
Total		4,184	3,485	96.1	(0.4)	95.8

It was not possible to identify an active market for these instruments. 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 derivatives, they are classified as hedging instruments. The information required under the IFRS on the instruments is given below:

Maturity analysis

Expiry	BNL exchange rate derivative (euro/000)
Up to 1 month	10.4
Between 1 and 3 months	0
Between 3 and 6 months	0
Between 6 and 12 months	0
Between 1 and 2 years	17.0
Between 2 and 3 years	33.0
Between 3 and 5 years	35.4
Between 5 and 10 years	0
More than 10 years	0
Total	95.8

Sensitivity Analysis

Transaction type	Fair value (euro/000)	Delta equity Eur/FX +5% (euro/000)	Delta equity Eur/FX -5% (euro/000)
Forward purchase (BNL)	96	406	61

33. Assets and liabilities by maturity

<i>(thousands of euros)</i>	Within following year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0	3,431	0	3,431
Deferred tax assets	0	9,667	0	9,667
Non-current tax receivables	0	23,164	0	23,164
Non-current trade receivables	0	9,612	0	9,612
Other non-current receivables	0	16,344	0	16,344
Total	0	62,218	0	62,218
Financial liabilities	17,170	237,217	88,324	342,711
Deferred tax liabilities	0	2,922	0	2,922
Other non-current liabilities	0	32,320	143,203	175,523
Non-current trade payables	0	23,503	0	23,503
Total	17,170	295,962	231,527	544,659

Financial liabilities falling due after the 5th year refer to the bank loans and the bond. For more information, please see Note 36.

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 €4,807 thousand (€3,749 thousand at 31 December 2018), an increase of €1,058 thousand, mainly regarding sureties granted to Ndola New Airports Zambia and Empresa Argentina De Navegacion in the interest of the subsidiary IDS AirNav for contracts for the supply of the Aeronautical Message Handling System and the new dynamic AIM platform for the Ndola airport in Zambia, and for the supply and installation of the new CRONOS software in the air traffic control rooms in Argentina.

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 2019 by ENAV:

Grantor	Date of receipt	Amount	Description
Ministry of Infrastructure and Transport	06/12/2019	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
Ministry of Infrastructure and Transport	04/02/2019	8,176	Infrastructure and Networks NOP 2014-2020
Total Ministry of Infrastructure and Transport		38,176	
Total		38,176	

(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 2019, ENAV had €429.9 million in available cash and €203 million in short-term credit lines, including i) uncommitted lines of credit of €133 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, €104 million in financial advances, which can be drawn on without any constraints regarding their use, and €15 million in export financing. These lines of credit are subject to revocation and do not require compliance with either covenants or other contractual commitments.

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 2019 stood at €338.7 million and is represented by bank debt for medium/long-terms loans of €158.7 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 31.12.2019	Due dates			
			<1 year	from 1 to 2 years	from 3 to 5 years	> 5 years
EIB - European Investment Bank	15-year loan	87,920	8,207	8,332	25,763	45,618
EIB - European Investment Bank	15-year loan	69,333	5,333	5,333	16,000	42,667
Bond		180,000	0	0	180,000	0
Total		337,253	13,540	13,665	221,763	88,285

(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 2019, 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 2019, 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.

At 31 December 2019 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 general, 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). At 31 December 2019, the average cost of bank debt was around 1.7%, 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 2019, 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.

Exchange rate 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% (following the entry NATS as a new shareholder) in the share capital of US company Aireon and from contracts to provide services on the non-regulated market denominated in foreign currency. 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.

In particular, in April 2019, 5 forward foreign currency purchase transactions (dollars against euros) were completed to hedge the exchange rate risk of the Data Services Agreement signed with Aireon LLC. The total purchase of \$4.5 million was made with a total sale of €3.8 million, with forward exchange rates (euro/dollar) negotiated for each expiry until January 2023. Of the 5 forward contracts signed, the first was terminated in the month of April itself.

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 2019.

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 ENAV considered to be groundless, or to recover of higher costs and/or losses that 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 the Company; v) proceedings challenging the procedures and outcomes of public tenders; and vi) other circumstances such as a dispute involving claims for damages due to failure to acquire a unit belonging to another company.

Criminal proceedings

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. The proceeding is at the argument stage.

The preliminary hearing in the criminal proceedings initiated by the Sassari Public Prosecutor was closed with the court ruling that there were no grounds to continue as the circumstances of the case did not constitute an offence with regard to 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 had already been 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 the Company 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. 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 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

At the end of 2019, the Spanish airport operator launched a tender for to award terminal air traffic management services for 12 medium and small-sized Spanish airports divided into three lots, with a deadline for the submission of tenders set for 3 February 2020. The value of the tender for all lots is approximately €141.6 million and the duration of the contract is 7 years, extendable for another year, and no participant can be awarded more than 2 lots.

In January 2020, as part of participation in the tender, ENAV acquired a Spanish company in the form of a sociedad limitada unipersonal, subsequently named ENAV España Control Aéreo, S.L.U. and submitted its bid by the deadline set in the contract notice.



It should be noted that in the context of the Report on Operations, in the paragraph Risk Management and Outlook for operations, are reported information and comments regarding dissemination of the COVID-19 virus in Italy, which began in the second half of February 2020.

38. Proposals to the ENAV S.p.A. Shareholders' Meeting

Dear Shareholders,

The Board of Directors invites you to:

- approve the financial statements at 31 December 2019 showing a profit for the year of €111,881,123.31;
- allocate 5% of the profit for the year, equal to €5,594,056.17, to the legal reserve as provided for pursuant to Article 2430, paragraph 1 of the Italian Civil Code and in the amount of €106,271,026.09 to dividends to be distributed to the Shareholders and €16,041.05 to the unrestricted reserve denominated “retained earnings”;
- to utilise €6,918,968.13 from the unrestricted “retained earnings” reserve in order to distribute, together with the profit for the year allocated as dividend, a total dividend amounting to €113,189,994.22, corresponding to a dividend of €0.2094 per share issued as at the ex-dividend date, excluding the treasury shares held as at that date.
- to pay that dividend of €0.2094 per share on 27 May 2020, with the ex-dividend date set for 25 May 2020 and the record date set for 26 May 2020.

Rome, 12 March 2020

The Board of Directors



**Attestation of the Chief Executive Officer and the Manager Responsible for
Financial Reporting on the separate financial statements**



Attestation of ENAV SpA's separate financial statement for the year ended 31 December 2019 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 2019 to 31 December 2019.
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 2019:
 - 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, 12 March 2020

Chief Executive Officer
Roberta Neri

Manager responsible for financial reporting
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 2019, the Board of Auditors performed its institutional duties in compliance with the Italian Civil Code, Legislative Decree 39/2010, Legislative Decree 58/1998 (“Consolidated Law on Financial Intermediation” or “Consolidated Law”) and the guidelines provided by Consob.

The supervisory activity required by law was also performed in accordance with the instructions of Consob, the provisions of the Corporate Governance Code for listed companies, which the Company has adopted, 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 charge is composed by Dario Righetti, acting as Chairman, and the standing auditors Franca Brusco and Pierumberto Spanò, who were appointed by the Shareholders' Meeting of 26 April 2019 and will remain in office until the Shareholders' Meeting called to approve the financial statements as at 31 December 2021.

Upon taking office, 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. The results of this self-assessment process were reported to the Board of Directors, which, at the meeting of 15 May 2019, took note of the assessment of the control body.

The magistrate designated by the Italian Court of Auditors in charge of auditing the Company participates in the meetings of the Board of Auditors pursuant to and for the purposes of Article 12 of Law 259 of 21 March 1958.

In 2019 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.

Compliance with the law and the Articles of Association

The Company has governance arrangements that comply with the legislation and regulations applicable to listed issuers and with the Corporate Governance Code, and take account of best practice in this area. 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 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 heads of the various corporate departments, and the oversight bodies of the Italian subsidiaries.

Specifically, during the year, the Board of Auditors met 16 times and attended 12 meetings of the Board of Directors. In addition, as a group or in the person of its Chairperson and/or other members, the Board participated in 10 meetings of the Remuneration and Appointments Committee, 14 meetings of the Control, Risks and Related Parties Committee and 9 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 2020 and the Report on Activities for 2019, presented to the Board of Directors. No breaches or significant risks left unremedied by corrective measures emerged during these meetings, as well as with reference 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 regulatory, 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 Corporate Governance Code that the Company has declared it has adopted. Accordingly, we report no breach of law, the Articles of Association and regulations, or 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 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 acted with an understanding 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, among other issues, progress on the Group's Business Plan and the annual budget was discussed in depth. Without prejudice to the fact that - according to financial report – during the 2019 financial year no financial transactions qualifying as of greater importance were carried out, the Board of Auditors received adequate information on non-recurring transactions carried out by the Company or by the investee companies, with particular regard to the acquisition of IDS AirNav, which expanded the scope of consolidation with the entry into the Group of a company incorporating the Air Navigation Division of IDS - Ingegneria dei Sistemi SpA.

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 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 nine directors: Nicola Maione, acting as President, and Roberta Neri, Giuseppe Acierno, Maria Teresa Di Matteo, Fabiola Mascardi, Carlo Paris, Antonio Santi, Mario Vinzia and Pietro Bracco, who was appointed by the Shareholders' meeting of 29 April 2019, thereby re-establishing the authorised number of directors.

The Board of Directors 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 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. The Chairman has 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 powers delegated appear to have been 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 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 oversight bodies of the main Group subsidiaries; and 3) meetings with the Audit Firm and the findings of specific audits, also involving Italian and 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 2019, 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 oversight bodies of the main subsidiaries pursuant to paragraphs 1 and 2 of Article 151 of the Consolidated Law; and x) the implementation 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.

Internal Audit actively supported the activities of the Board of Auditors. 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 2019, submitted to the Board of Directors at its meeting of 18 February 2020. 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.

Internal Audit received 13 reports through the whistle-blowing channels in 2019, all of which were analysed and, having assessed their reliability and relevance, it was decided to initiate 7 audits.

The Board of Auditors examined 27 planned and unplanned audit reports produced by Internal Audit, together with the periodic reports of that unit containing the findings of the reports prepared and a breakdown of the activities performed during the year. This information made it

possible to monitor audit arrangements, note a number of initiatives to strengthen them or suggest areas for improvement of the ICRMS.

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, frequently, 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 2019 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 performed by a qualified consulting company, 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.

During the year the Board of Auditors met regularly with the team 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 measuring ENAV's investments in Techno Sky, IDS AirNav and 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 IDS AirNav and the fair value measurement of the investment in Aireon LLC were consistent and appropriate, as presented in the Financial Report, also in light of with 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 and the consequent examination of the opinion issued today

In the light of its supervisory activity and also taking account of the Board of Directors' finding on 12 March 2020 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.

The Audit Firm EY, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) 537/2014, today issued audit reports on the financial statements and the consolidated financial statements for the year ended 31 December 2019, 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 2019, 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 2019 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 the key matters such as identified 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-bis, 10-ter, 10-quater 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 2019 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 2019 for 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 €88,000 and are indicated, pursuant to Article 149-*duodecies* of the Consob Issuers Regulation, in Note 40 to the consolidated financial statements at 31 December 2019. 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 2019, which reported a profit for the year of €111,881,123.31 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 Annual Report 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 2019 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 2019, except for the latest adopted principles mentioned within the paragraph no. 4 of the notes to the financial statements.

As noted previously, ENAV's 2019 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 audit of the 2019 financial statements of the subsidiaries Techno Sky, IDS AirNav and D-Flight.

With regard to the proposal made by the Board of Directors to the Shareholders' Meeting for the allocation of ENAV's profit for 2019 and the distribution of available reserves, the Board of Auditors took note of this proposal and, in the light of the information currently available and in consideration of the current regulatory system in which the Company operates, does not see any impediments in this regard..

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 2019, 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 2019, in March 2020 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.

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 €118,268,141 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 2019 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.

Outlook for operations

In connection with the issues relating to the spread of the COVID-19 epidemic, the Board of Auditors took note of the analysis developed at the meetings of the Control, Risks and Related Parties Committee and of the Board of Directors, as well as having exchanged views with the Audit Firm. The presumable overall impact of the COVID-19 pandemic cannot be estimated accurately. It will therefore be necessary to await developments in the international situation to

formulate a more precise assessment of the effects of that situation on the future operations of the Company, which could have a significant impact. For further details, please see the section “Outlook for operations” in the Report on Operations in in the 2019 Annual Report published in the manner prescribed by law and available on the Company's website.

The consolidated non-financial statement (NFS)

The Company, which was already compliant with Legislative Decree 254/2016 regarding non-financial reporting, prepares a Sustainability Report incorporating the consolidated statement of non-financial information pursuant to Legislative Decree 254/2016 on the basis of a structured system for collecting qualitative and quantitative information. Numerous sustainability initiatives were also pursued in coordination with the Sustainability Committee, which had been established in 2018. The main initiatives included stakeholder engagement, the integration of non-financial risks within the ERM, the 2018-2020 Sustainability Plan (updated this year with additional challenging objectives for 2020) and the integration of sustainability in the Business Plan.

Pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016, the Sustainability Report was subject to a “limited assurance” 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 2019, approved by the Board of Directors on 12 March 2020, was accompanied by the limited audit report issued by EY today.

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 Company's objectives, 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 2019 - 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 12 March 2020 - 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 Report on Remuneration Policy and Remuneration Paid - prepared pursuant to Article 123-ter of the Consolidated Law and Article 84-ter of the Issuers Regulation, on which the Shareholders' Meeting called for 21 May 2020 is called upon to approve: (i) the first section on remuneration policy with a binding vote; and (ii) the second section on remuneration paid during 2019 with a non-binding vote.

Relationships with the Parent Company and with the subsidiaries

At 31 December 2019 the Ministry for the Economy and Finance (MEF) owned 53.373% of ENAV, 46.627% 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, also in the light of the amendments introduced by Article 4-bis of Decree Law 105 of 21 September 2019, ratified with amendments by Law 133 of 18 November 2019 containing urgent measures for national cyber security and rules governing special powers in strategic sectors, as specified in the Report on Corporate Governance in section 1.6.

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 oversight bodies of the main subsidiaries in order to exchange the necessary information. An independent Supervisory Body pursuant to Legislative Decree 231/01 operates within Techno Sky, IDS AirNav and D-Flight and, on the basis of the mandate granted, Internal Audit operates for all Group companies.

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 2019. 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.

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 2019 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 2019. All transactions carried out in 2019 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 or any reports.

In 2019, 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 Internal Audit Activity Plan for 2020, with the related budget;
- ii) 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;
- iii) approval of the short-term variable component of the remuneration of the Chief Executive Officer for 2019 (MBO scheme).

Conclusions

Based on the activities performed as described above, and taking account of the considerations reported above, the Board of Auditors finds no grounds for impeding the approval of the financial statements as at 31 December 2019 nor the proposals of the Board of Directors.

7 April 2020

Dario Righetti
Chairman

Franca Brusco
Standing Auditor

Pierumberto Spanò
Standing Auditor



**Independent Auditor's Report
on the separate financial statements**



Enav S.p.A.

Financial statements as at December 31, 2019

**Independent auditor's report pursuant to article 14 of
Legislative Decree n. 39, dated January 27, 2010, and
article 10 of EU Regulation n. 537/2014**

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 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, 2019, and the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity and 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, 2019, 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:

Key Audit Matter	Audit Response
<p data-bbox="183 472 790 539">Valuation of the investment in Techno Sky S.r.l.</p> <p data-bbox="183 562 790 696">The Investments in subsidiaries as at December 31, 2019 amount to Euro 188,1 million, of which Euro 99,2 million referred to the Techno Sky S.r.l..</p> <p data-bbox="183 719 790 987">At least once a year, the management assess the existence of impairment indicators for the investments and, if they occur, investments are subjected to impairment test. In the case, considering that carrying amount of the investment in Techno Sky exceeds the corresponding equity portion, the impairment test has been performed.</p> <p data-bbox="183 1010 790 1424">The identification of impairment indicators as well as the processes and methodologies for assessing and determining the recoverable amount of the investment are based on assumptions, sometimes complex that due to their nature require Directors' judgment, particularly with reference to the forecasted future cash flows for the period covered by the business plan 2020-2024, the determination of the normalized cash flows used for the terminal value estimate and the determination of long-term growth and discount rates applied to the forecasted future cash flows.</p> <p data-bbox="183 1435 790 1559">Because of the judgement required and the complexity of the assumptions used to estimate the recoverable amount of the investment, we identified this area as a key audit matter.</p> <p data-bbox="183 1626 790 1850">The disclosures related to the assumptions and estimates used by the management are included in the 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".</p>	<p data-bbox="805 472 1410 539">Our audit procedures in response to this key audit matter concerned, among others:</p> <ul data-bbox="821 551 1410 1021" style="list-style-type: none"> <li data-bbox="821 551 1410 618">• assessment of the process for the valuation of the investment; <li data-bbox="821 629 1410 797">• assessment of the forecasted future cash flows, the verification of the consistency of the forecasted future cash flows of the investment resulting from the business plan 2020-2024; <li data-bbox="821 808 1410 943">• assessment of Directors' ability to make accurate projections, through the comparison of the actual results with the previous forecast; <li data-bbox="821 954 1410 1021">• assessment of the long-term growth rates and discount rate. <p data-bbox="805 1032 1410 1223">In performing our procedures, we leveraged the assistance of our experts in valuation techniques, who performed an independent recalculation and sensitivity analysis of the key assumptions that could have a significant effect on the valuation of the recoverable value.</p> <p data-bbox="805 1234 1410 1368">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..</p>

Valuation of the investment in Enav North Atlantic LLC

The investment in the subsidiary Enav North Atlantic LLC, incorporated in order to execute the investment in the US company Aireon LLC, as at December 31, 2019 is accounted within the Investment in subsidiaries item for an amount of Euro 47,6 million.

The processes and methodologies used for 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.

Because of the judgment required to the Directors and the complexity of the assumptions applied for the estimate of the recoverable amount of the investment, we identified this area as a key audit matter.

The disclosures related to the valuation of the investment in Enav North Atlantic LLC are included in the note "Use of estimates and management judgements" while the disclosures related to the criteria 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, the assessment of the long-term growth rates and discount rate.

In performing our procedures, we 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 - *Balance*

Revenues from en-route and terminal services include a positive or negative revenue adjustment recorded at the year-end in order to reflect the effective performance for the year. Such revenue adjustment, achieved through the *Balance* mechanism, is regulated through specific tariff mechanisms effected over the years following the concerned fiscal year.

The processes and methodologies for measuring such revenue adjustments are based on complex calculation algorithms and assumptions that for their nature require Directors' judgement, in particular with reference to the expectations about settlement date and the determination of the discount rate applied for.

Because of the above-mentioned complexity to perform this measurement, we identified this area as a key audit matter.

The disclosures related to the revenues accounting policy and measurement criteria resulting from 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 the others, the understanding of the applicable regulations, the understanding and evaluation of the estimation methodologies used by the Directors, the assessment of the processes for the determination of the *Balance*, the assessment of the discount rate used 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 resulting from 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 and, 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 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 January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 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, 2019, 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 February 24, 1998, with the financial statements of Enav S.p.A. as at December 31, 2019 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, 2019 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 January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, April 7, 2020

EY S.p.A.
Signed by: Riccardo Rossi, Auditor

This report has been translated into the English language solely for the convenience of international readers.



Legal information and contacts

Registered office

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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

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