



**Interim Financial Report at 31 March 2017
of the Enav Group**

Contents

Main operating data	3
Introduction	4
Market and air traffic trends	5
Effects of seasonality	10
Alternative performance indicators	10
Group economic and financial performance	12
Declaration of the Manager responsible for financial reporting	23

Main operating data

Financial data	31.03.2017	31.03.2016	Variations	%
Total revenues	176,421	177,363	(942)	-0.5%
EBITDA	28,735	28,005	730	2.6%
EBITDA margin	16.3%	15.8%	0.5%	3.2%
EBIT	(2,925)	(6,764)	3,839	-56.8%
EBIT margin	-1.7%	-3.8%	2.2%	-56.5%
Group result for the period	(4,187)	(8,813)	4,626	-52.5%

Value in thousands of Euro

Equity and financial data	31.03.2017	31.03.2016	Variations	%
Net invested capital	1,240,778	1,219,947	20,831	1.7%
Shareholders' Equity	1,115,139	1,119,826	(4,687)	-0.4%
Net financial indebtedness	125,639	100,121	25,518	25.5%

Value in thousands of Euro

Other indicators	31.03.2017	31.03.2016	Variations	%
En route service units	1,572,061	1,587,128	(15,067)	-0.9%
Terminal service unit 1st charging zone	45,777	48,012	(2,235)	-4.7%
Terminal service unit 2nd charging zone	67,109	65,393	1,716	2.6%
Terminal service unit 3rd charging zone	74,800	75,395	(595)	-0.8%
Free cash flow (value in thousands of Euro)	(25,078)	30,033	(55,111)	-183.5%
Headcount at the end of period	4,286	4,322	(36)	-0.8%

Introduction

This document reports and comments on the reclassified consolidated income statement and the statement of financial position, net financial indebtedness and statement of cash flows of the Enav Group at 31 March 2017, compared with the figures for the corresponding period of the previous year for the data included in the income statement and statement of cash flows, and with the corresponding figures at 31 December 2016 for the statement of financial position, shown in thousands of Euros.

The consolidated financial statements were prepared in accordance with the measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, in force at 31 March 2017, and are substantially consistent with the criteria used to prepare the consolidated financial statements for the year ended at 31 December 2016, as the amendments to the existing standards which came into force on 1 January 2017 have not affected the consolidated data.

With the introduction of the regulatory amendment launched in February 2016 by the transposition (through Legislative Decree no. 25 of 15 February 2016) of the Transparency II Directive (which repealed the obligation to publish interim financial reports) and subsequent Consob Resolution no. 19770 of 26 October 2016, the Issuers' Regulations of Consob were amended by the introduction of the new Article 82-*ter* which allows listed companies to choose whether or not to publish interim information in addition to the annual and half-yearly financial statements, applicable starting from 2 January 2017. As announced to the market on 30 January 2017, Enav has voluntarily chosen to publish quarterly financial information at 31 March and 30 September in order to take account of the information requirements of its stakeholders.

The Interim Financial Report at 31 March 2017 does not represent an interim financial statements prepared in accordance with international accounting standard IAS 34, and has not been audited by the independent auditors.

The publication of this Interim Financial Report was authorised by the Board of Directors on 10 May 2017.

The consolidation principles used to prepare the Interim Financial Report at 31 March 2017 conform to those used to prepare the Consolidated Financial Statements at 31 December 2016, approved on 16 March 2017 and available on the website www.enav.it at the following address

<https://www.enav.it/sites/public/en/InvestorRelations/Financial-Statements-and-Reports.html>

The scope of consolidation at 31 March 2017 is the same as at 31 December 2016.

Market and air traffic trends

Air traffic control activities in the countries of the Eurocontrol area recorded in the first quarter of 2017 an increase in en-route service units (*) of 4.7% compared with the same period in 2016, confirming the growth trend which had already been recorded in the first quarter of 2016.

Among the major European providers, there were overall increases in service units, including, in particular, 9.9% for the Great Britain, 6.5% for Spain, 5.3% for Germany and 4.3% for France.

In this context of growth in en-route air traffic, the result recorded for Italy is slightly against the trend, at -0.9% compared with the same period of the previous year. The elements characterizing the trend observed in Italy are presented in the following paragraphs.

Total route traffic service units (**)	31.03.2017	31.03.2016	Variazioni	
			n.	%
France	4,066,161	3,898,788	167,373	4.3%
Germany	3,074,358	2,920,630	153,728	5.3%
Great Britain	2,488,779	2,264,255	224,524	9.9%
Spain	2,063,450	1,937,988	125,462	6.5%
Italy (***)	1,572,061	1,587,128	(15,067)	-0.9%
EUROCONTROL	29,149,255	27,849,920	1,299,335	4.7%

(*) traffic overflying Italian air space, with or without stopover;

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

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

En-route traffic

En-route traffic in Italy for the first quarter of 2017 shows a decrease of -0.9% in the service units reported by Eurocontrol (-1% if the remaining category *Exempt not reported to Eurocontrol* is included) and a reduction in the number of assisted flights of -1.5% (-4.7% if the residual category *Exempt not reported to Eurocontrol* is included).

Traffic en-route (Number of flights)	31.03.2017	31.03.2016	Variations	
			no.	%
Domestic	59,088	65,385	(6,297)	-9.6%
International	179,368	174,950	4,418	2.5%
Overflight	89,738	91,040	(1,302)	-1.4%
Paying total	328,194	331,375	(3,181)	-1.0%
Military	8,159	8,574	(415)	-4.8%
Other exempt	3,579	5,126	(1,547)	-30.2%
Total exempt	11,738	13,700	(1,962)	-14.3%
Total reported by Eurocontrol	339,932	345,075	(5,143)	-1.5%
Exempt not reported to Eurocontrol	3,807	15,627	(11,820)	-75.6%
Total	343,739	360,702	(16,963)	-4.7%

Traffic en-route (service units) (*)	31.03.2017	31.03.2016	Variations	
			no.	%
Domestic	342,425	352,474	(10,049)	-2.9%
International	655,867	652,050	3,817	0.6%
Overflight	536,584	547,323	(10,739)	-2.0%
Paying total	1,534,876	1,551,847	(16,971)	-1.1%
Military	34,117	32,738	1,379	4.2%
Other exempt	3,068	2,543	525	20.6%
Total exempt	37,185	35,281	1,904	5.4%
Total reported by Eurocontrol	1,572,061	1,587,128	(15,067)	-0.9%
Exempt not reported to Eurocontrol	357	622	(265)	-42.6%
Total	1,572,418	1,587,750	(15,332)	-1.0%

In particular, en-route traffic was marked by:

- *international commercial traffic*, a category of flights with departure or arrival for a stopover located in Italian territory, which, for the period in question, recorded positive results both in terms of Service Units (SUs) up 0.6%, and in the number of assisted flights, up 2.5%. The lower growth in the service units compared with the number of assisted flights is mainly due to the decrease in the average distance travelled (-1.4%) because the increases mainly concerned short haul domestic flights.

As regards flights within Europe, we note the good performance of the connections between Italy and rest of Europe (up 1% in SUs; up 2.4% in number of flights). These comprise the main part of the SUs for international traffic, representing over 77% of the total SUs, and 86% of the total assisted flights. Connections between Italy and Africa also performed well, with an increase in SUs of 2.7%, and in number of assisted flights of 3.5% (in the first quarter 2016 this figure was negative for 19.9% in terms of Service Units), showing the first signs of improvement in the crisis situation which has affected the North African countries. Conversely, the trend in the route between Italy and Asia was -4.8% in terms of SUs and +3.9% for assisted flights;

- *commercial overflight traffic*, a category of movements only over domestic airspace, which, in the first quarter of 2017, recorded a decrease in service units (-2.0%) and in the number of assisted flights (-1.4%). The results for the SUs in the first quarter were negatively affected by the decrease in the long-haul connections in our air space, more than 800 km. (- 1.3%), still partially influenced by the no-fly zone over Libya with consequent effects on Africa-Europe connections. Commercial overflight traffic between European countries represents about 59% of total assisted flights for this category;
- *domestic commercial traffic* during the period decreased in terms of service units (by -2.9%) and in the number of assisted flights (by -9.6%), confirming the reduction already observed in the previous months. This trend is partially due to competition with High Speed trains on certain connections and to the uncertainty which our national carrier is currently experiencing. It is worth mentioning here that flights with distance covered between 350-700 km. (connections between Rome Fiumicino and major airports such as Milano Malpensa, Torino Caselle, Lamezia Terme, Venezia Tesserà) show a reduction compared with the corresponding period in 2016 of 6.5%, for both SUs and assisted flights;
- *exempt traffic*, divided into: (i) *exempt traffic reported by Eurocontrol*, which recorded an increase of 5.4% in SUs and a decrease of -14.3% in the number of assisted flights, with the latter figure being caused mainly by a fall in the military flights of member states, government flights, police flights and circular flights; and (ii) *exempt traffic not reported to Eurocontrol*, with a slight effect on revenues, which decreased by -42.6% in SUs and -75.6% in the number of assisted flights.

Terminal traffic

Terminal traffic reported by Eurocontrol, which concerns take-off and landing activities within 20 km from the runway, shows in the first quarter of 2017 a slightly lower trend for SUs (down -0.3%) with a more marked reduction of -2.0% in the number of assisted flights.

Terminal traffic (Number of flights)		31.03.2017	31.03.2016	Variations	
				no.	%
Domestic					
	Chg. Zone 1	11,991	13,025	(1,034)	-7.9%
	Chg. Zone 2	11,892	12,328	(436)	-3.5%
	Chg. Zone 3	33,569	36,218	(2,649)	-7.3%
	Total domestic flights	57,452	61,571	(4,119)	-6.7%
International					
	Chg. Zone 1	20,239	21,275	(1,036)	-4.9%
	Chg. Zone 2	38,014	36,389	1,625	4.5%
	Chg. Zone 3	31,044	29,418	1,626	5.5%
	Total international flights	89,297	87,082	2,215	2.5%
Paying total		146,749	148,653	(1,904)	-1.3%
Exempt					
	Chg. Zone 1	36	18	18	100.0%
	Chg. Zone 2	205	326	(121)	-37.1%
	Chg. Zone 3	4,842	5,958	(1,116)	-18.7%
	Total exempt flights	5,083	6,302	(1,219)	-19.3%
Total reported by Eurocontrol		151,832	154,955	(3,123)	-2.0%
Exempt not reported to Eurocontrol					
	Chg. Zone 1	0	0	0	0.0%
	Chg. Zone 2	136	279	(143)	-51.3%
	Chg. Zone 3	2,073	11,678	(9,605)	-82.2%
Tot. exempt flights not reported to Eurocontrol		2,209	11,957	(9,748)	-81.5%
Total for chg Zone					
	Chg. Zone 1	32,266	34,318	(2,052)	-6.0%
	Chg. Zone 2	50,247	49,322	925	1.9%
	Chg. Zone 3	71,528	83,272	(11,744)	-14.1%
Total		154,041	166,912	(12,871)	-7.7%

Terminal traffic (service units)		31.03.2017	31.03.2016	Variations	
				no.	%
Domestic					
	Chg. Zone 1	14,534	15,616	(1,082)	-6.9%
	Chg. Zone 2	13,766	14,186	(420)	-3.0%
	Chg. Zone 3	37,880	39,488	(1,608)	-4.1%
	Total domestic SUs	66,180	69,290	(3,110)	-4.5%
International					
	Chg. Zone 1	31,155	32,367	(1,212)	-3.7%
	Chg. Zone 2	53,220	51,067	2,153	4.2%
	Chg. Zone 3	34,892	33,101	1,791	5.4%
	Total international SUs	119,267	116,535	2,732	2.3%
Paying total		185,447	185,825	(378)	-0.2%
Exempt					
	Chg. Zone 1	88	29	59	203.4%
	Chg. Zone 2	111	117	(6)	-5.1%
	Chg. Zone 3	1,846	2,025	(179)	-8.8%
	Total SUs exempt	2,045	2,171	(126)	-5.8%
Total reported by Eurocontrol		187,492	187,996	(504)	-0.3%
Exempt not reported to Eurocontrol					
	Chg. Zone 1	0	0	0	0.0%
	Chg. Zone 2	12	23	(11)	-47.8%
	Chg. Zone 3	182	781	(599)	-76.7%
Total exempt SUs not reported to Eurocontrol		194	804	(610)	-75.9%
Total for chg Zone					
	Chg. Zone 1	45,777	48,012	(2,235)	-4.7%
	Chg. Zone 2	67,109	65,393	1,716	2.6%
	Chg. Zone 3	74,800	75,395	(595)	-0.8%
Total		187,686	188,800	(1,114)	-0.6%

Overall, the results at 31 March 2017, compared with the same period in 2016, show a negative trend in the first and third Charging Zone and a positive trend for the second. In particular:

- Charging Zone 1, which refers entirely to Rome Fiumicino (-4.7% SUs; -6% assisted flights) has been affected by the difficult situation of Alitalia, which, in the first quarter of 2017 (compared with the same period in 2016) recorded a reduction of about 5.1% in SUs and 8.7% in assisted flights. Consider that Alitalia represents about 45% of the SUs developed during the period at the main Rome airport;
- Charging Zone 2, referred to Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio, shows an increase both in SUs (+2,6%) and in assisted flights (+1,9%) mainly due to the good results performed by the airports of Milano Malpensa and Bergamo Orio al Serio. The impact associated to the situation of the Italian national carrier is lower in this zone, since it represents only 13.3% of the SUs at the four airports included in this zone. For information, please note that during the quarter Alitalia recorded a drop of 14.2% in SUs in this zone;
- Charging Zone 3 is slightly down in terms of SUs (-0.8%) compared to the greater reduction in the number of flights (-14.1%). The result is mainly due to the negative performance of the smaller airports included in this charging Zone. Conversely, referring to Alitalia, there has been a 6.5% decrease in SUs compared

with same period in 2016. As with the Charging Zone 2, the impact is in any case lower than for Zone 1, considering that the Alitalia's share compared to all the SUs in Zone 3 is about 18.1% in the period. Among the other airports, we note in particular the positive results achieved in Catania (+13.1% SUs) and Naples (+5.4% SUs).

Regarding the various traffic category, as already mentioned for the en-route traffic, *international* traffic is the main leading component, with an increase of 2.3% in SUs and 2.5% in the number of assisted flights. This increase is particularly attributable to the results achieved by the airports in charging Zones 2 and 3.

The *domestic traffic* category, for the same reasons mentioned for the en-route traffic, shows a decrease of 4.5% in service units and 6.7% in number of assisted flights. This traffic component registered a negative performance in all the charging Zones.

Effects of Seasonality

The type of business in which the Parent Company operates is affected by uneven trend of revenues throughout the whole year. Air traffic performance is, by its very nature, heavily influenced by seasonal factors, and particularly to the activities linked to tourism, with passenger traffic increasing in the seasons of the year when Italian and foreign passengers typically travel more.

Specifically, the trend of revenues, which is closely connected to the performance in air traffic control, does not show a regular trend during the year and reach the peak mainly in the summer months, while costs are substantially the same throughout the year.

Alternative performance indicators

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

The alternative performance indicators used in this document are as follows:

- **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)**: is an indicator of profit before the effects of financial management and taxation, as well as depreciation, amortisation and write-downs on fixed assets and receivables and provisions, adjusted for investment subsidies directly related to the investments in depreciation and amortisation to which they refer;

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

Group economic and financial performance

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

Reclassified consolidated income statement

	1st quarter 2017	1st quarter 2016	Variations	
			Values	%
Revenues from operations	161,452	157,505	3,947	2.5%
Balance	6,317	11,535	(5,218)	-45.2%
Other operating income	8,652	8,323	329	4.0%
Total revenues	176,421	177,363	(942)	-0.5%
Personnel costs	(118,177)	(118,245)	68	-0.1%
Capitalisation of internal work	6,626	6,208	418	6.7%
Other operating costs	(36,135)	(37,321)	1,186	-3.2%
Total operating costs	(147,686)	(149,358)	1,672	-1.1%
EBITDA	28,735	28,005	730	2.6%
EBITDA margin	16.3%	15.8%	0.5%	3.2%
Net amortisation of investment contributions	(31,656)	(34,027)	2,371	-7.0%
Write-downs, losses (write-backs) of value and provisions	(4)	(742)	738	-99.5%
EBIT	(2,925)	(6,764)	3,839	-56.8%
EBIT margin	-1.7%	-3.8%	2.2%	-56.5%
Financial income (expenses)	(159)	(1,862)	1,703	-91.5%
Pre-tax income	(3,084)	(8,626)	5,542	-64.2%
Income taxes for the period	(1,103)	(187)	(916)	489.8%
Profit/(loss) for the period	(4,187)	(8,813)	4,626	-52.5%

Value in thousands of Euro

Analysis of revenue

Revenues from operations stood at €161.5 million, up 2.5% compared with the corresponding period of the previous year, comprising €158.4 million in revenue from the parent company's core business (+2.3% in the first quarter of 2016) and €3.1 million from business conducted by the Group in the non-regulated market (up +16% in the first quarter of 2016).

	1st quarter 2017	1st quarter 2016	Variations	%
En Route revenues	111,496	111,186	310	0.3%
Terminal revenues	43,420	40,373	3,047	7.5%
En Route and terminal exemptions	3,401	3,244	157	4.8%
Revenues from non-regulated market	3,135	2,702	433	16.0%
Total revenues from operations	161,452	157,505	3,947	2.5%

En-route revenues was €111.5 million (+0.3%), essentially unchanged over the first quarter of 2016.

Terminal revenues amounted to €43.5 million and recorded an increase of 7.5% compared with the corresponding period in the previous year, following the differing trend of the service units developed at individual airports classified by different charging zone, which together ended up with -0.2%, but showed increases in both the second and third charging zone, and also the charge applied. In particular, the first charging zone, represented by Rome Fiumicino Airport, recorded a decrease for the commercial service units of -4.8% compared with the first quarter of 2016, affected by a charge of €188.57 which was lower than the charge applied in 2016 (€200.68). The effect on revenue has resulted in a reduction of €997 thousands compared with the corresponding period in the previous year. The second charging zone, represented by the airports of Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio, recorded an increase for commercial service units of +2.7%, offset by a lower charge applied in 2017 of €209.95 (€233.33 in 2016); these combined effects resulted in revenue lower by €1,150 thousands compared with the first quarter of 2016. The third charging zone, comprising 40 airports with medium and low traffic, recorded an increase of 0.3% in terms of commercial service units and benefited from the revenues from Comiso and Rimini airports, not managed by the parent company in the first quarter of 2016, and from the higher charge applied in 2017 of €323.79 compared to 2016 when was applied, pursuant to the request of the Ministry of Economy and Finance and the Ministry of Infrastructure and Transport, a charge of €260.96, lower than the charge based on the budgeted costs for 2016 which would, instead, have resulted in a charge of €325.

The revenue for en-route and terminal exemptions was €3.4 million, up 4.8% compared to the first quarter of 2016 due to the higher service units for exempt flights from the en-route traffic.

Revenue from non-regulated market totalled €3.1 million, recorded an increase of 16% equal to €0.4 million, absorbing the lower revenue due to the transfer into tariff of Comiso, which had previously been operated under a separate agreement. This increase mainly refers to the activity carried out in the United Arab Emirates for restructuring the airspace pursuant to the contract signed at the end of November 2016, generating revenue for the quarter of €900 thousands; and to the activity carried out in Malaysia by Enav Asia Pacific for the Air Traffic Control Center of Kuala Lumpur, with revenue of €580 thousands.

The balance charge adjustments, also part of the parent company's operations, totalled €6.3 million and were calculated on the basis of the items listed in the following table:

	1st quarter 2017	1st quarter 2016	Variations
Balance charge adjustments for the period	12,542	15,891	(3,349)
Discounting effect	(205)	(669)	464
Balance changes	0	0	0
Balance utilisation	(6,020)	(3,687)	(2,333)
Total balance	6,317	11,535	(5,218)

The balance charge adjustments for the period were €12.5 million, down overall by €3.3 million compared with the first quarter of 2016, mainly include the route balance for traffic risk, recognized following the lower service units finally generated compared with the Performance Plan for the reference period (-10.7%), totalling overall €8.8 million (€3.4 million in the first quarter of 2016) and the terminals balance totalling €3.7 million (€12.5 million in the first quarter of 2016) mainly related with the terminal balance of the third charging zone, resulting in accordance to a cost recovery system, and down compared with the first quarter 2016 in which a lower charge had been applied compared to that natural charge, as described above.

The discounting effect, equal to €0.2 million, results from stripping out the financial component inherent in the balance mechanism, carried out by discounting the balance generated during the period in accordance with a pre-defined recovery plan.

The balance utilisation of €6 million refers to the transfer to the income statement and in the 2017 charge of the portion of balances recognised in previous years.

The other operating income of €8.6 million is essentially unchanged compared with the first quarter of 2016, mainly containing a contribution recognized to the parent company pursuant to Art. 11-*septies* of Law no. 248/05, in order to compensate for the costs incurred to ensure the safety of its equipments and operational safety in the amount of €7.5 million.

Cost trends

Operating costs totalled €147.7 million, a decrease of 1.1% compared with the first quarter of 2016, consisting of personnel costs of €118.2 million, other operating costs of €36.1 million and capitalisation of internal work which generated a positive effect of €6.6 million.

	1st quarter 2017	1st quarter 2016	Variations	%
Wages and salaries, of which:				
fixed remuneration	68,228	68,447	(219)	-0.3%
variable remuneration	16,002	15,734	268	1.7%
Total wages and salaries	84,230	84,181	49	0.1%
Social security contributions	27,568	27,762	(194)	-0.7%
Employee severance indemnity	4,799	4,756	43	0.9%
Other costs	1,580	1,546	34	2.2%
Total personnel costs	118,177	118,245	(68)	-0.1%

Value in thousands of Euro

The personnel costs fell by 0.1% to €118.2 million, resulting from a -0.3% decrease in the fixed wages and salaries where the natural increase in the wages was more than offset by the lower costs generated following the reduction of the Group headcount by 18 average units at 31 March 2017 compared with the corresponding quarter of the previous year and 36 employees with a headcount at the end of the quarter of 4,286 (4,322 in the first quarter of 2016). Variable remuneration recorded a total increase of €0.3 million for the overtime connected to the training need of Air Traffic Controllers in order to execute the free route platform, a project that involved the parent company's operating staff since the last months of 2016. This increase was partially offset by the reduction in payroll related to holiday work on Easter Day in the 2016 quarter had determined the recognition of the cost for the month of March. Social security contributions were reduced by 0.7% following a decrease in the tax base, while the other personnel costs, including the early retirement incentive awarded to departing employees in the period of €0.4 thousand (€0.3 thousand in the first quarter 2016), remained essentially unchanged.

Other operating costs stood at €36.1 million, down by 3.2% compared with the first quarter of 2016, and are presented as follows (amounts in € 000s):

	1st quarter 2017	1st quarter 2016	Variations
Costs for the purchase of goods	2,051	2,473	(422)
Costs for services:			
Maintenance costs	5,027	5,114	(87)
Costs for Eurocontrol contributions	9,649	10,424	(775)
Costs for utilities and telecommunications	9,158	8,648	510
Costs for insurance	688	1,795	(1,107)
Cleaning and security	1,221	1,310	(89)
Other personnel-related costs	2,408	2,274	134
Professional services	2,155	1,557	598
Other costs for services	1,834	1,821	13
Total costs for services	32,140	32,943	(803)
Costs for the use of third-party assets	1,491	1,421	70
Other operating expenses	453	484	(31)
Total	36,135	37,321	(1,186)

The costs for the purchase of goods, which mainly include costs incurred for the purchase of spare parts for facilities and equipment used for air traffic control purposes, have dropped following the greater utilisation in spare parts compared with the purchases made during the period. Costs for services reflected: a reduction of costs for insurance deriving from the savings associated with new contracts signed which came into effect from 1 July 2016; lower costs for Eurocontrol contributions; higher costs for utilities and telecommunications of €0.5 million mainly due to the combined effect of the increase in the price and in the consumption of electricity, even following the enlargement of the perimeter of the airports managed; higher costs for professional services concerned both the subsidiary Enav Asia Pacific for costs incurred and allocated to the order in Malaysia for the activities performed at the Air Traffic Control Center of Kuala Lumpur, and the costs for legal services which were partially refunded by the insurance companies and recognised under the item other operating income.

Margins

These amounts had a positive effect in the calculation of the EBITDA, generating an increase of 2.6% compared with the first quarter of 2016 and reaching €28.7 million with an EBITDA margin up 16.3% (15.8% in the first quarter 2016).

EBIT recorded a negative value of €2.9 million with a considerable improvement of €3.8 million compared with the same period of the previous year when it was negative €6.7 million. On the determination of this result affects amortisation by € 31.7 million, down by €2.3 million compared to the first quarter of 2016. The EBIT margin at 31 March 2017 was -1.7%, an improvement on the same period in 2016, when it stood at -3.8%.

Financial management

Financial income and expenses had a negative value of €0.2 million, recording an improvement compared with the first quarter of 2016 of €1.7 million, mainly due to the growth of financial income.

	1st quarter 2017	1st quarter 2016	Variations
Financial income from balance discounting	1,125	0	1,125
Financial income from non-current financial assets	0	0	0
Interest income on VAT credit refunds	0	153	(153)
Other interest income	367	334	33
Total financial income	1,492	487	1,005

	1st quarter 2017	1st quarter 2016	Variations
Interest due on bank loans	523	542	(19)
Interest due on bonds	860	864	(4)
Interest due on employee severance indemnity	166	326	(160)
Interest expenses on derivatives at fair value	57	0	57
Financial expenses from balance discounting	0	738	(738)
Other interest due	18	1	17
Total financial expenses	1,624	2,471	(847)
Profit/(loss) on foreign exchange	(27)	122	(149)
Total financial income and expenses	(159)	(1,862)	1,703

The increase in financial income of €1 million mainly refers to the financial income from balance discounting not only for the effect related to the current quarter in balance receivables but above all to the recognition in the income statement, of the discounting of balance receivables for the third charging zone, following the termination of the related receivables according to Article 51 of Legislative Decree no. 50 of 24 April 2017, which recognized € 26 million to the parent company in order to reduce the increase of the tariff provided for in the 2016-2019 program contract for the third terminal charging zone, thus eliminating the related balance receivables up to the amount recognised.

Financial expenses fell by €0.8 million mainly due to the zeroing of expenses for balance discounting. In the first quarter of 2016 there was a review of the net present value of the related receivables following changes of the recovery plans of charge.

Result for the period

Income taxes for the period were negative by €1.1 million, up by €0.9 million compared with the first quarter of 2016, because of the higher tax base, and consist of current taxes of €0.9 million and deferred taxes of

€0.2 million. The profit for the period, as a result of the above, is a loss of €4.2 million, a 52.5% improvement compared with the corresponding period of last year which recorded a loss of €8.8 million.

Reclassified consolidated statement of financial position

	31.03.2017	31.12.2016	Variations
Tangible assets	1,041,472	1,056,281	(14,809)
Intangible assets	123,900	123,084	816
Investments in other companies	51,707	36,468	15,239
Non-current trade receivables and payables	123,956	136,770	(12,814)
Other non-current assets and liabilities	(70,991)	(73,036)	2,045
Net fixed capital	1,270,044	1,279,567	(9,523)
Inventories	60,267	60,895	(628)
Trade receivables	230,009	226,651	3,358
Trade payables	(117,341)	(132,512)	15,171
Other current assets and liabilities	(154,468)	(166,459)	11,991
Assets held for disposal net of related liabilities	(126)	13	(139)
Net working capital	18,341	(11,412)	29,753
Gross net fixed capital	1,288,385	1,268,155	20,230
Employee severance indemnity and other benefits	(56,535)	(57,388)	853
Provisions for risks and charges	(11,034)	(11,029)	(5)
Deferred tax assets net of liabilities	19,962	20,209	(247)
Net invested capital	1,240,778	1,219,947	20,831
Shareholders' equity	1,115,139	1,119,826	(4,687)
Net Financial Indebtedness	125,639	100,121	25,518
Total coverage sources	1,240,778	1,219,947	20,831

Value in thousand of Euro

Net invested capital was €1,240.8 million, up by €20.8 million compared with 31 December 2016 resulting from changes in the following items.

Net fixed capital

Net fixed capital of €1,270 million decreased by €9.5 million as at 31 March 2017 compared with 31 December 2016, because of: i) the decrease in tangible assets of €14.8 million, the result of depreciation higher than the investments made during the period; ii) an increase of €15.2 million in the item investments in other companies resulting from the payment by Enav North Atlantic of the third instalment for the acquisition of the interest in Aireon of \$16.8 million, which took its stake up to 8.63%; iii) the reduction in non-current trade receivables and payables, which refer exclusively to the balances of €12.8 million, being the net effect of the recognition of the balances for the period and the cancellation of €26 million of terminal

balances of the third charging zone recorded in previous years and recognized by the Ministry of Economy and Finance with Article 51 of Legislative Decree no. 50/2017, reducing the payable recognized for the same period of 2014.

Net working capital

Net working capital was €18.3 million, up by €29.8 million on 31 December 2016. The main changes related to: i) an increase of €3.3 million in trade receivables from the Ministry of Infrastructures and Transports for the safety contribution for the quarter, and from the Ministry of Economy and Finance for exempt flights in the period offset by a reduction of current balance receivables following the reversal to the income statement of the portion for the first quarter of 2017; ii) the decrease in trade payables of €15.2 million due to higher payments to suppliers in the quarter offset by the receipt of the pre-financing obtained under the Connecting Europe Facility (CEF), 2015 call, first cluster of 2015-2018, for €6 million; iii) the negative change in other current assets and liabilities of €12 million due to the higher tax receivables for the VAT of the period and the increase in prepaid expenses for the insurance premiums paid in January (referring to the following quarter) and also the INAIL payment in February which was suspended in the prepayments for the part which did not refer to the period; iv) the increase in tax payables mainly referring to the IRES taxes recognized in the period; v) the net decrease in other current liabilities of €5 million following the reduction of €26 million in the payable to the Ministry of Economy and Finance resulting from the effects of Legislative Decree no. 50 of 24 April 2017 and the increase in the payable to Aeronautica Militare Italiana (AMI) and Enac for the amount recognised in the period totalling €15.9 million, plus the payable to employees for the provisions made for the period.

The determination of **net invested capital** also affected the employee severance indemnity and other benefits by a negative €56.5 million, which recorded in the period a positive change of €0.8 million both for the advance payments and disbursement made in the period and for the actuarial gains recognised at 31 March 2017, in addition to the provision for risks and charges of €11 million, unchanged from 31 December 2016, and the deferred tax assets and liabilities for a net positive amount of €20 million, down by €0.2 million compared with 31 December 2016, mainly the result of the reversal to the income statement of the deferred taxes recognised pursuant to the discounting of balance receivables.

Shareholders' Equity

Shareholders' equity was €1,115.1 million and recorded a net decrease of €4.7 million compared with 31 December 2016 following the loss of €4.2 million for the period recognised at 31 March 2017, the negative effect of the translation reserve of €0.7 million which includes foreign exchange differences arising from the

conversion into Euros of the balance sheets and income statements of the Company's foreign subsidiaries and the positive effect of €0.2 million of the reserve for actuarial gains/losses for employee severance indemnity, which showed an actuarial gain for the period, recognised net of deferred taxes.

Net financial indebtedness

Net financial indebtedness amounted to €125.6 million, an increase of €25.5 million compared with 31 December 2016, as shown in the following table.

	31.03.2017	31.12.2016	Variazioni
Cash and cash equivalents	206,849	231,007	(24,158)
Current financial receivables	1,174	1,221	(47)
Current financial debt	(33,948)	(32,622)	(1,326)
Net current financial position	174,075	199,606	(25,531)
Non-current financial liabilities	(91)	(104)	13
Non-current financial debt	(299,623)	(299,623)	0
Non-current financial indebtedness	(299,714)	(299,727)	13
Net financial indebtedness	(125,639)	(100,121)	(25,518)

Value in thousand of Euro

At 31 March 2017, the negative change of €25.5 million in the current financial indebtedness reflects both the negative dynamics of the receipts and payments connected with the normal operations for payments to suppliers concerned mainly with investment projects, offset by the receipt of the pre-financing obtained on the CEF 2015-2018 project and other funded projects totalling €6.9 million, and the decrease in the liquidity of the subsidiary Enav North Atlantic following the payment of the third instalment for the investment in Aireon.

Structure of the consolidated net financial indebtedness

	31.03.2017	31.12.2016
(A) Cash	206,849	231,007
(B) Other cash equivalents	0	0
(C) Trading Securities	0	0
(D) Liquidity (A)+(B)+(C)	206,849	231,007
(E) Current financial receivables	0	0
(F) Current financial payables	0	0
(G) Current portion of non-current indebtedness	(33,948)	(32,622)
(H) Other current financial debt	0	0
(I) Current financial indebtness (F)+(G)+(H)	(33,948)	(32,622)
(J) Net current financial indebtedness/Liquidity (D)+(E)+(I)	172,901	198,385
(K) Non-current bank loans	(119,623)	(119,623)
(L) Bonds issued	(180,000)	(180,000)
(M) Other non-current loans	0	0
(N) Non-current financial indebtedness (K)+(L)+(M)	(299,623)	(299,623)
(O) CONSOB Net Financial Indebtedness (J)+(N)	(126,722)	(101,238)
(P) Current and non-current derivatives instruments	1,083	1,117
(Q) ENAV Group Net Financial Indebtedness (O)+(P)	(125,639)	(100,121)

Consolidated statement of cash flows

	31.03.2017	31.03.2016	Variazioni
Cash flow generated/(absorbed) from operating activities	25,157	52,874	(27,717)
Cash flow generated/(absorbed) from investing activities	(50,235)	(22,841)	(27,394)
Cash flow generated/(absorbed) from financing activities	1,329	2,458	(1,129)
Cash flow for the period	(23,749)	32,491	(56,240)
Cash and cash equivalents at the beginning of the period	231,811	174,141	57,670
Exchange rate differences on cash	(86)	(676)	590
Cash and cash equivalents at the end of the period (*)	207,976	205,956	2,020
Free cash flow	(25,078)	30,033	(55,111)

Value in thousands of Euro

(*) Cash and cash equivalent at the end of the period includes for 1.127 thousands of euro the liquidity of the SICTA Consortium in liquidation.

Cash flow from operating activities

The cash flow from operating activities at March 31, 2017 amounted to € 25.2 million resulting from the increase in receivables relating either to balance receivables following the recognition of balances of the period, offset by the reduction in the part recognized to the income statement for a net effect of about €5 million, by the receivable from the MEF and MIT for a total of €11 million relating to exempt flights and to the security contribution recognized in the first quarter of 2017, for tax receivables of about €5 million for VAT accrued in the period, by prepayment expenses for insurance premiums and INAIL related to subsequent periods of about €4 million and by the increase of the liabilities relating both to advances attributable to the Italian Air Force and to payables to personnel for quarterly accruals. Compared with 31 March 2016, there is a negative change of €27.7 million because the receivables in the first quarter of 2016 were reduced following the receipt of the VAT receivable of €21 million and the receipt of contribution on the funded projects PON Network and Mobility 2000/2006 of €7.7 million.

Cash flow from investing activities

The cash flow from investing activities at 31 March 2017 was negative by €50.2 million, up by €27.4 million compared with the figure recorded at 31 March 2016, due to greater payments to suppliers associated with the investment projects which were launched in the second half of 2016 amounting to €12.2 million and the payment of the third instalment of €15.2 million for the investment in Aireon.

Cash flow from financing activities

The cash flow from financing activities was €1.3 million and refers to the interest due on bank loans recognised in the period. The change of €1.2 million compared with 31 March 2016 refers to the lower financial interest resulting from the Group's lower net financial indebtedness.

The free cash flow was negative by €25 million, the result of a greater cash flow absorbed by investing activities compared with the amount generated by operating activities.

Declaration of the Manager responsible for financial reporting pursuant to Article 154-*bis* paragraph 2 of Legislative Decree no. 58/1998

The undersigned Loredana Bottiglieri, as Manager responsible for financial reporting pursuant to Art. 154-*bis*, paragraph 2, of Legislative Decree no. 58/1998, declares that the accounting information contained in this Interim Financial Report at 31 March 2017 corresponds with that contained in the accounting documentation, books and records.

Rome, 10 May 2017

Signed by Loredana Bottiglieri

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