Interim Financial Report

at 31 March 2018

ENAV Group

Contents

Main operating data 3

Introduction 4

Market and air traffic trends 6

Effects of seasonality 11

Group economic and financial performance 12

Declaration of the Manager responsible for financial reporting 25

Main operating data

Financial data	1st quarter 2018	1st quarter 2017	Variations	%
Total revenues	175,508	176,421	(913)	-0.5%
EBITDA	29,976	28,735	1,241	4.3%
EBITDA margin	17.1%	16.3%	0.8%	
EBIT	(1,746)	(2,925)	1,179	-40.3%
EBIT margin	-1.0%	-1.7%	0.7%	
Group result for the period	(4,390)	(4,187)	(203)	4.8%

Value in thousands of Euro

Equity and financial data	31.03.2018	31.12.2017	Variations	%
Net invested capital	1,197,436	1,237,447	(40,011)	-3.2%
Shareholders' Equity	1,114,167	1,119,965	(5,798)	-0.5%
Net financial indebtedness	83,269	117,482	(34,213)	-29.1%

Value in thousands of Euro

Other indicators	1st quarter 2018	1st quarter 2017	Variations	%
En-route service units	1,691,343	1,572,061	119,282	7.6%
Terminal service unit 1st charging zone	47,413	45,777	1,636	3.6%
Terminal service unit 2nd charging zone	70,208	67,109	3,099	4.6%
Terminal service unit 3rd charging zone	79,766	74,800	4,966	6.6%
Free cash flow (value in thousands of Euro)	34,886	(25,078)	59,964	-239.1%
Headcount at the end of period	4,236	4,286	(50)	-1.2%

Introduction

The Enav Group Interim Financial Report at 31 March 2018 has been prepared on a voluntary basis in compliance with the provisions of Article 82-*ter* of the Issuers' Regulations, adopted pursuant to Consob Regulation no. 11971 of 14 May 1999 as it was subsequently amended, to ensure consistent financial disclosures to the market and investors, in line with the conduct of the main listed companies that publish quarterly interim reports.

This document reports and comments on the reclassified consolidated income statement and the statement of financial position, net financial indebtedness and cash flow statement of the Enav Group at 31 March 2018, compared with the figures for the corresponding period of the previous year for the data included in the income statement and cash flow statement, and with the corresponding figures at 31 December 2017 for the statement of financial position, shown in thousands of euros.

Except as otherwise stated, the consolidated financial statements have been prepared according to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and the relative interpretations (IFRIC and SIC), adopted by the European Union with Regulation (EC) no. 1606/2002, which were in effect at the end of the period, except for IFRS 15 and IFRS 9, and are compliant with the standards adopted for preparation of the consolidated financial statements at 31 December 2017, which you are referred to.

On 1 January 2018, the new accounting standards IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments entered into effect. For both standards, Enav Group opted to recognise the effect of retrospective restatement of the shareholders' equity amounts at 1 January 2018, insofar as the applicable cases as at that date, without restating comparative items for the previous years. The total effect at 1 January 2018 is -€449 thousand on the opening shareholders' equity consisting of -€453 thousand allocated to trade receivables pursuant to adoption of IFRS 9 and +€4 thousand which are also recognized under trade receivables, pursuant to the effect arising from adoption of IFRS 15. Note no. 6 *New accounting standards, interpretations and amendments adopted by the Group* paragraph *Impact of adopting new standards* in the consolidated financial statements at 31 December 2017 contains further information regarding the effects ensuring from the two new standards above. It is hereby noted that on 1 January 2018, other standards also entered into effect, but adoption thereof produced not effects.

The Interim Financial Report at 31 March 2018 has not been 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 14 May 2018.

The consolidation principles used to prepare the Interim Financial Report at 31 March 2018 correspond with those used to prepare the consolidated financial statements at 31 December 2017, approved on 12 March 2018 and available on the website www.enav.it at the following address: https://www.enav.it/sites/public/en/InvestorRelations/Financial-Statements-and-Reports.html

The scope of consolidation at 31 March 2018 is the same as at 31 December 2017.

Market and air traffic trends

In the air traffic control activities in the Eurocontrol area from January - March 2018, there has been a significant increase in traffic in terms of route service units (*), compared to the same period in 2017, with a result achieved from the countries participating in the Eurocontrol System of +6.2%

Among the major European providers, we note that general increases of the en-route service units, with Italy posting the best performances thanks to an increase of +7.6%, followed by Spain with +6.8%, France +4.9%, Germany +3.4% and Great Britain with 2.5%.

Total route traffic service units (**)	1st quarter 2018	1st quarter 2017	Variations no.	%
France	4,266,300	4,066,161	200,139	4.9%
Germany	3,179,600	3,074,358	105,242	3.4%
Great Britain	2,551,639	2,488,779	62,860	2.5%
Spain	2,203,920	2,063,450	140,470	6.8%
Italy (***)	1,691,344	1,572,061	119,283	7.6%
EUROCONTROL	**30,964,132**	**29,149,255**	**1,814,877**	**6.2%**

(*) 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 2018 shows an increase of +7.6% in the service units reported by Eurocontrol (same value if the remaining category *Exempt not reported to Eurocontrol* is included) and the number of managed flights of +5.5% (+5.2% if the residual category *Exempt not reported to Eurocontrol* is included).

Among factors which contributed to growth outperforming the European trend in the first quarter of 2018, we note the implementation by the Parent company of the Free Route project (an intervention that allows all over flying aircraft at heights exceeding 11,000 meters, regardless whether they land or take off from Italian airports, to cross the national airspace directly, thereby allowing airlines crossing the national skies to plan the shortest routes without restrictions, thereby saving fuel and operating costs, while remaining in full compliance with the maximum security levels) and the initial signs of a return to the usual traffic volumes by countries such as Turkey, Greece, Egypt and Tunisia. We hereby underline that this positive performance of the service units was achieved despite the only partial opening of the Libyan airspace and the effects associated with the organizational and operational restructuring of Alitalia. The excellent performance that marked the quarter under review should nevertheless be considered in relation to the relative weakness that characterized the first quarter of 2017 during which, though favourable in terms of european air traffic (+4.7% SUs), there was a decrease in the air traffic control activity in Italy in terms of service units by -0.9%.

Traffic en-route (Number of flights)	1st quarter 2018	1st quarter 2017	Variations no.	Variations %
Domestic	59,498	59,088	410	0.7%
International	188,827	179,368	9,459	5.3%
Overflight	99,209	89,738	9,471	10.6%
Paying total	**347,534**	**328,194**	**19,340**	**5.9%**
Military	7,836	8,159	(323)	-4.0%
Other exempt	3,395	3,579	(184)	-5.1%
Total exempt	**11,231**	**11,738**	**(507)**	**-4.3%**
Total reported by Eurocontrol	**358,765**	**339,932**	**18,833**	**5.5%**
Exempt not reported to Eurocontrol	2,760	3,807	(1,047)	-27.5%
Total	**361,525**	**343,739**	**17,786**	**5.2%**

Traffic en-route (service units)	1st quarter 2018	1st quarter 2017	Variations no.	Variations %
Domestic	353,838	342,425	11,413	3.3%
International	705,256	655,867	49,389	7.5%
Overflight	599,307	536,584	62,723	11.7%
Paying total	**1,658,401**	**1,534,876**	**123,525**	**8.0%**
Military	30,616	34,117	(3,501)	-10.3%
Other exempt	2,326	3,068	(742)	-24.2%
Total exempt	**32,942**	**37,185**	**(4,243)**	**-11.4%**
Total reported by Eurocontrol	**1,691,343**	**1,572,061**	**119,282**	**7.6%**
Exempt not reported to Eurocontrol	206	357	(151)	-42.3%
Total	**1,691,549**	**1,572,418**	**119,131**	**7.6%**

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 +7.5%, and in the number of assisted flights, up +5.3%, with an increase in distance travelled as well (+1.5%).

  The growth of international traffic, whether in terms of SUs or number of flights, is the result of the significant increase in the flights across all distance bands: low mileage band (< 350 Km in national airspace), with an increase of SUs of +6%; average mileage band (between 350-700 Km in national airspace) with an increase in SUs of 8.8%; high mileage band (> 700 Km across national airspace) with a growth in SUs of +6.3%.

  Regarding flights by continent, the quarter performed well in terms of the connections between Italy and the rest of Europe (+6.4% SUs; +3.6% in number of flights) representing approximately 77% of the total SUs of international traffic and the recovery of the connections between Italy and Africa (+13% SUs), as traffic flow to countries such as Egypt and Morocco resumed. The connections between Italy and Asia are also recovering (+4.5%) as well as between Italy and North America (+21.3% SUs; +12% in number of flights).

- *Commercial overflight traffic*, a category of movements over domestic airspace only, which, in the first quarter of 2018 posted a significant increase in service units (+11.7%) and in the number of assisted flights (+10.6%). This result is due to the good performance of longer haul flights (> 800 Km across national airspace) for which the SUs increased by +12.7% and the medium haul flights (between 400-800 Km across national airspace) which increased by +9.9% in terms of SUs.

  Regarding the general analysis on the departure/destination areas, we note the good performance in terms of connections between european countries (+12.5% SUs; +10.2% in terms of number of flights) which represent approximately 59% of that total overflying flights and the Europe - Africa connections (+12.2% SUs; +11.5% in number of flights).
- *Domestic commercial traffic* recorded an increase of +3.3% in service units in the period in question and a lesser increase of 0.7% in the number of assisted flights. This data shows that there is stabilisation in the low volumes, in regard to the number of flights, which had faced competition from high speed trains for several years. The increase in the long-haul flights (> 700 Km national airspace) contributed to increasing the SUs. The connections involving the North - South of Italy are a driving element insofar as the good performance of the service units and the number of flights serviced, posting results of +4.7% and +2.8% respectively.
- *Exempt traffic* which is divided into *(i) exempt traffic reported by Eurocontrol*, which recorded a decrease of -11.4% in SUs and a decrease of -4.3% in the number of assisted flights, with the latter figure being caused mainly by a fall in the military flights of non-member Eurocontrol states, and (ii) *exempt traffic not reported to Eurocontrol*, with a marginal effect on revenues, which decreased by -42.3% in SUs and -27.5% in the number of assisted flights.

Regarding the traffic data connected to the companies operating in the domestic airspace, the first quarter of 2018 showed that the low-cost segment was the factor driving the expansion of the air traffic, both in Italy and in the rest of Europe. Among the major companies operating in at the national airspace, we note the results achieved by Ryanair (+8.7% SUs) and EasyJet (+12.7% SUs) which are respectively the first and the third carrier in terms of service units produced. Also significant are the results from Wizz Air (+20.6% SUs), Vueling (+19.4% SUs), Aegean Airlines (+8.4%SUs) and Eurowings all of which among the leading 15 carriers in terms of service units produced. The activity with the company Turkish Airlines (+26.2% SUs) is recovering with traffic returning to the route towards Turkey, while the results from Emirates were negative (-9.9% SUs). The traffic volumes for Saudia (+10.3% SUs) and Qatar Airways (+19.1%) have recovered; they were among the other middle eastern companies the performances of which were negative in the first quarter 2017. Operations with traditional airlines such as Lufthansa (+9.7% SUs) and Air France (+5.2% SUs) are recovering. Pursuant to its difficulties of late, Alitalia increased its SUs by +1.1%, despite the fact that it has lost -4.0% of its flights.

Finally, there has been an increase in cargo traffic as well.

Terminal traffic

Terminal traffic reported by Eurocontrol, which regards take-off and landing within 20 Km of the runway, performed well in the first quarter of 2018 in terms of service units, which were up +5.2%, as well as in terms of assisted flights, which were up +3.3%.

Terminal traffic (Number of flights)		1st quarter 2018	1st quarter 2017	Variations no.	%
Domestic					
	Chg. Zone 1	11,228	11,991	(763)	-6.4%
	Chg. Zone 2	12,456	11,892	564	4.7%
	Chg. Zone 3	34,143	33,569	574	1.7%
	Total domestic flights	**57,827**	**57,452**	**375**	**0.7%**
International					
	Chg. Zone 1	21,181	20,239	942	4.7%
	Chg. Zone 2	39,523	38,014	1,509	4.0%
	Chg. Zone 3	33,335	31,044	2,291	7.4%
	Total international flights	**94,039**	**89,297**	**4,742**	**5.3%**
Paying total		**151,866**	**146,749**	**5,117**	**3.5%**
Exempt					
	Chg. Zone 1	39	36	3	8.3%
	Chg. Zone 2	219	205	14	6.8%
	Chg. Zone 3	4,732	4,842	(110)	-2.3%
	Total exempt flights	**4,990**	**5,083**	**(93)**	**-1.8%**
Total reported by Eurocontrol		**156,856**	**151,832**	**5,024**	**3.3%**
Exempt not reported to Eurocontrol					
	Chg. Zone 1	0	0	0	0.0%
	Chg. Zone 2	78	136	(58)	-42.6%
	Chg. Zone 3	1,679	2,073	(394)	-19.0%
Tot. exempt flights not reported to Eurocontrol		**1,757**	**2,209**	**(452)**	**-20.5%**
Total for chg Zone					
	Chg. Zone 1	32,448	32,266	182	0.6%
	Chg. Zone 2	52,276	50,247	2,029	4.0%
	Chg. Zone 3	73,889	71,528	2,361	3.3%
Total		**158,613**	**154,041**	**4,572**	**3.0%**

Terminal traffic (service units)		1st quarter 2018	1st quarter 2017	Variations no.	%
Domestic					
	Chg. Zone 1	13,990	14,534	(544)	-3.7%
	Chg. Zone 2	14,879	13,766	1,113	8.1%
	Chg. Zone 3	39,384	37,880	1,504	4.0%
	Total domestic SUs	**68,253**	**66,180**	**2,073**	**3.1%**
International					
	Chg. Zone 1	33,307	31,155	2,152	6.9%
	Chg. Zone 2	55,227	53,220	2,007	3.8%
	Chg. Zone 3	38,241	34,892	3,349	9.6%
	Total international SUs	**126,775**	**119,267**	**7,508**	**6.3%**
Paying total		**195,028**	**185,447**	**9,581**	**5.2%**
Exempt					
	Chg. Zone 1	116	88	28	31.8%
	Chg. Zone 2	94	111	(17)	-15.3%
	Chg. Zone 3	2,007	1,846	161	8.7%
	Total SUs exempt	**2,217**	**2,045**	**172**	**8.4%**
Total reported by Eurocontrol		**197,245**	**187,492**	**9,753**	**5.2%**
Exempt not reported to Eurocontrol					
	Chg. Zone 1	0	0	0	0.0%
	Chg. Zone 2	8	12	(4)	-33.3%
	Chg. Zone 3	134	182	(48)	-26.4%
Total exempt SUs not reported to Eurocontrol		**142**	**194**	**(52)**	**-26.8%**
Total for chg Zone					
	Chg. Zone 1	47,413	45,777	1,636	3.6%
	Chg. Zone 2	70,208	67,109	3,099	4.6%
	Chg. Zone 3	79,766	74,800	4,966	6.6%
Total		**197,387**	**187,686**	**9,701**	**5.2%**

Overall, the results for the first quarter of 2018, compared against the same period last year, show a general increase in all tariffs and zones, whether in terms of service units or number of flights serviced. In particular:

- charging zone 1, which refers to Roma Fiumicino Airport exclusively, posted growth of +3.6% in the first quarter of 2018, in terms of service units and +0.6% in terms of flights serviced. This Airport is particularly affected by the Alitalia situation for which, during the period under review, there was a reduction of activity of -2.8% in terms of flights serviced while the number of SUs remained essentially unchanged at +0.2%. In the first quarter of 2018, Alitalia was responsible for approximately 43.5% of the SUs at the Rome Fiumicino Airport.
- charging zone 2, referred to Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio, shows an increase both in SUs (+4,6%) and flights (+4%) mainly due to the good results achieved by the airports of Milano Malpensa (+7.9% SUs; +9.2% no. of flights) and Bergamo Orio al Serio (+7.1% SUs; +7.1% no. of flights). The impact associated with the situation of the Italian national carrier is lower in this zone, since it represents only 13.5% of the SUs.

- charging zone 3 had positive values in terms of SUs of +6.6% and number of flights of +3.3%. These results reflect the good performance of the main airports present on this charging zone, such as the airports of Naples (+35.1% SUs), Bologna (+6.2% SUs), Catania (+8.1% SUs), Palermo (+16.6% SUs), Verona (+7.5% SUs) and Cagliari (+6.6% SUs). Relatively to Alitalia there is a further decrease in terms of SUs (-3.2%) and number of flights serviced (-12.4%). As for charging zone 2, the impact is nevertheless relatively contained considering that Alitalia operations constitute approximately 16.4% of the total SUs.

Regarding the various traffic components, as already mentioned for the en-route traffic, *international traffic* is the leading category, with an increase of +6.3% in SUs and +5.3% in the number of assisted flights. This increase is due to the results from all three charging zones, particularly the first and the third.

The *domestic traffic* component has increased in terms of service units by 3.1% and by 0.7% in terms of flights serviced, benefiting from a change of average weight of approximately +3%.

Effects of seasonality

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

Specifically, the trend of revenues, which are closely connected to performance in air traffic control, did not show a uniform trend during the year and mainly peaked in the summer. Consequently, the Group’s interim results do not contribute evenly to the economic and financial results for the year.

Group economic and financial performance

Definition of the 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, the Enav Group presents certain indicators derived from the former data which provide management with an additional parameter for evaluating the performance achieved by the Group, ensuring greater comparability, reliability and comprehensibility of the financial reporting,

Following are listed the alternative performance indicators used in this document:

- **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 of tangible and intangible 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 tangible and intangible 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 and non-current financial receivables net of non-current financial liabilities referred to the fair value of the derivative financial instruments and cash and cash equivalents;
- **Free cash flow**: is the sum of the cash flow generated or absorbed from operating activities and the cash flow generated or absorbed from investing activities.

The reclassified consolidated income statement, statement of financial position and cash flow statement, 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

The Enav Group closes the first quarter of 2018 with a loss of €4.4 million, slightly higher compared to the first quarter of 2017, when the loss was €4.2 million. Historically, the first quarter is the most affected by the seasonality of the Parent Company’s business, resulting in traffic volumes and therefore revenues that are higher in the summer periods against costs that tend to be linear throughout the year. Despite the seasonal effect, most of the traffic, whether referring to en-routes or terminals in the first quarter of 2018, compared to the corresponding period last year, together with the Group’s continuous effort to streamline costs, made it possible to maintain the result essentially in line despite the tariff reduction and the negative effects from financial management.

	1st quarter 2018	1st quarter 2017	Variations	
			Values	%
Revenues from operations	170,918	161,452	9,466	5.9%
Balance	(3,971)	6,317	(10,288)	-162.9%
Other operating income	8,561	8,652	(91)	-1.1%
Total revenues	**175,508**	**176,421**	**(913)**	**-0.5%**
Personnel costs	(118,035)	(118,177)	142	-0.1%
Capitalisation of internal work	6,877	6,626	251	3.8%
Other operating costs	(34,374)	(36,135)	1,761	-4.9%
Total operating costs	**(145,532)**	**(147,686)**	**2,154**	**-1.5%**
EBITDA	**29,976**	**28,735**	**1,241**	**4.3%**
EBITDA margin	**17.1%**	**16.3%**	**0.8%**	
Net amortisation of investment contributions	(31,725)	(31,656)	(69)	0.2%
Write-downs, losses (write-backs) of value and provisions	3	(4)	7	-175.0%
EBIT	**(1,746)**	**(2,925)**	**1,179**	**-40.3%**
EBIT margin	**-1.0%**	**-1.7%**	**0.7%**	
Financial income (expenses)	(1,302)	(159)	(1,143)	718.9%
Pre-tax income	**(3,048)**	**(3,084)**	**36**	**-1.2%**
Income taxes for the period	(1,342)	(1,103)	(239)	21.7%
Profit/(loss) for the period	**(4,390)**	**(4,187)**	**(203)**	**4.8%**

Value in thousands of Euro

Analysis of revenue

Revenues from operations stood at €170.9 million recording an increase of 5.9% compared with the corresponding period of the previous year, comprising €167.8 million in revenue from the Parent Company's core business (+5.9% in the first quarter of 2017) and €3.1 million from business conducted by the Group in the non-regulated market, essentially unchanged in the first quarter of 2017).

	1st quarter 2018	1st quarter 2017	Variations	%
En-Route revenues	120,543	111,496	9,047	8.1%
Terminal revenues	44,171	43,420	751	1.7%
En-Route and terminal exemptions	3,066	3,401	(335)	-9.9%
Revenues from non-regulated market	3,138	3,135	3	0.1%
Total revenues from operations	**170,918**	**161,452**	**9,466**	**5.9%**

En-route revenues totalled €120.5 million, up by 8.1% compared to the corresponding period last year, due to the higher number of service units developed in the quarter under review, which involve all three types of traffic, in particular overflight (+11.7%), with a final result that the end of the period of +7.6% compared to the first quarter 2017. The charge applied in 2018 is €79.98, is essentially in line with the charge applied in 2017 of €80.00.

Terminal revenues amounted to €44.2 million and recorded an increase of 1.7% compared with the corresponding period in the previous year, due to the positive trend of the service units developed at individual airports classified by different charging zones, which together ended up with +5.2%, a performance that offsets the tariff reduction applied in these recharging zones.

In particular, the first charging zone which consists of Rome Fiumicino Airport posted an increase in the traffic managed, expressed in service units, of +3.4% compared to the first quarter of 2017, with a negative change on the domestic traffic, which is more strongly affected by the difficulties of Alitalia and a higher result internationally. To this effect has been influenced by the reduction in the charge applied in 2018 of 0.67%, which dropped to €187.30 (€188.57 in 2017). The second charging zone, which consists of the Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio airports has posted good performance of managed air traffic which increases, in terms of service units, of 4.5% compared to the same period last year, with a growth mainly in domestic traffic; this trend partially offset the lower revenue deriving from the reduction of the charge by 3.28% in 2018, with a charge of €203.06 (€209.95 in 2017). The third charging zone, which includes 40 medium and low-traffic airports has experienced an increase in the air traffic managed of +6.3% in terms of service units, compared to the first quarter of 2017, with greater growth in the international traffic segment, effect partially offset by the reduction in the tariff of 1.11%, with a charge equal to €320.18 (€323.79 in 2017).

The *revenue from en-route and terminal exemptions* was €3 million, down by 9.9% compared to the first quarter of 2017, mainly on account of the lower service units for exempt flights from the en-route traffic.

Revenue from the non-regulated market totals €3.1 million, in line with the corresponding period last year, and refers both to domestic and international radio-assistance control services totalling €0.6 million, training totalling €0.1 million and consulting activities provided mainly on the foreign market, including: i) the construction of the control tower and technical block of the Mitiga Airport in Libya, totalling €0.8 million; ii) consulting for the air traffic control centre of Kuala Lumpur in Malaysia of €0.7 million; iii) the restructuring of the airspace in the United Arab Emirates totalling €0.1 million.

The *balance charge adjustments*, also part of the Parent Company's operations, was negative by -€4 million and is detailed in the following table:

	1st quarter 2018	1st quarter 2017	Variations
Balance charge adjustments for the period	6,103	12,542	(6,439)
Discounting effect	(96)	(205)	109
Balance utilisation	(9,978)	(6,020)	(3,958)
Total balance	**(3,971)**	**6,317**	**(10,288)**

The balance charge adjustments for the period were €6.1 million, down overall by €6.4 million compared with the first quarter of 2017, which includes the en-route balance at €1.2 million (€8.8 million in the first quarter of 2017) and €4.9 million representing the terminals balance (€3.7 million in the first quarter of 2017).

In particular, the changes mainly due to the en-route balance which came in at lower values compared to the same quarter of the previous year, due to the higher traffic in the first quarter of 2018, which reduced the difference between the total service units compared to the amount planned in the performance plan to -2.81%. The terminal balance figure were in line with the first quarter of 2017, with a positive balance for traffic risk in the first charging zone following the lower service units compared to the performance plan by -4.28% and a negative balance for the second charging zone due to higher traffic in the quarter compared to the budgeted figure of +6.3%. The terminal balance figure in the third charging zone, determined according to a cost recovery logic, was positive by €5.6 million due to the effect of the revenues recorded in the quarter and the costs incurred.

The balance utilisation of €10 million refers to the reversal in the charge and therefore to the income statement of a portion of the en-route and terminal balances recognized in previous year, at higher amounts compared to 2017.

The *other operating income* of €8.6 million is essentially unchanged compared with the first quarter of 2017, mainly containing an operating grant recognised to the Parent company pursuant to Article 11-*septies* of Law no. 248/05, in order to offset the costs incurred to ensure the safety of its equipment and operational safety in the amount of €7.5 million, as the amount granted for the period.

Cost trends

	1st quarter 2018	1st quarter 2017	Variations Values	%
Personnel costs	(118,035)	(118,177)	142	-0.1%
Capitalisation of internal work	6,877	6,626	251	3.8%
Other operating costs	(34,374)	(36,135)	1,761	-4.9%
Total operating costs	**(145,532)**	**(147,686)**	**2,154**	**-1.5%**

Value in thousands of Euro

Operating costs totalled €145.5 million, a decrease of 1.5% compared with the first quarter of the previous year, consisting of personnel costs of €118 million, other operating costs of €34.4 million and capitalisation of internal work which generated a positive effect of €6.9 million.

	1st quarter 2018	1st quarter 2017	Variations	%
Wages and salaries, of which:				
fixed remuneration	68,428	68,228	200	0.3%
variable remuneration	15,743	16,002	(259)	-1.6%
Total wages and salaries	**84,171**	**84,230**	**(59)**	**-0.1%**
Social security contributions	27,378	27,568	(190)	-0.7%
Employee severance indemnity	4,769	4,799	(30)	-0.6%
Other costs	1,717	1,580	137	8.7%
Total personnel costs	**118,035**	**118,177**	**(142)**	**-0.1%**

Value in thousands of Euro

Personnel cost decreased by 0.1% compared to the first quarter of 2017 and stood at €118 million, though there are cost allocations which are not present in the comparative period. In particular, the fixed wages and salaries area includes a cost allocation connected to the possible effects rising from the renewal of the contract which expired at the end of 2016, which was partially offset by the reduction in the cost generated by reducing the group's headcount by 50 average and actual units, compared to the corresponding period last year, with the headcount as at the first quarter of 2018 being 4,236 employees (4,286 employees in the first quarter of 2017). The variable remuneration has decreased overall by 1.6% due to the reduction of overtime for operations of the ATC staff (air traffic control) which in the first quarter of 2017 was involved in training for implementation of the Free route platform, and the reduction of holidays thanks to careful scheduling carried out by the Group. These reductions offset the costs arising from the Performance Share Plan 2017-2019 and the introduction of the new variable incentive structure for group executives, approved at the end of 2017. The social security contributions follow the remuneration trend, decreasing by 0.7% to €27.4 million, while other personnel costs have posted a net increase of 8.7% which refers to the early retirement incentive awarded to departing employees in the period under review of €0.6 million, offset by reduction in the insurance premiums of personnel following the savings secured through the stipulation of a new contract.

Other operating costs were €34.4 million, decreasing by 4.9%, compared to the corresponding period of the previous year, and are composed as shown in the table below.

	1st quarter 2018	1st quarter 2017	Variations	%
Costs for the purchase of goods	1,421	2,051	(630)	-30.7%
Costs for services:				
Maintenance costs	5,028	5,027	1	0.0%
Costs for Eurocontrol contributions	9,609	9,649	(40)	-0.4%
Costs for utilities and telecommunications	8,504	9,158	(654)	-7.1%
Costs for insurance	724	688	36	5.2%
Cleaning and security	1,131	1,221	(90)	-7.4%
Other personnel-related costs	2,372	2,408	(36)	-1.5%
Professional services	1,834	2,155	(321)	-14.9%
Other costs for services	1,911	1,834	77	4.2%
Total costs for services	**31,113**	**32,140**	**(1,027)**	**-3.2%**
Costs for the use of third-party assets	1,270	1,491	(221)	-14.8%
Other operating expenses	570	453	117	25.8%
Total	**34,374**	**36,135**	**(1,761)**	**-4.9%**

Value in thousands of Euro

An analysis of the individual items indicates a general decrease in the various cost items, including: i) the costs for the purchase of goods, which mainly refer to the costs incurred for the purchase of spare parts for the equipment and devices used for the air traffic control operations, which have been reduced due to lesser usage and write-downs in the period ii) the costs for utilities and telecommunications which are down by 7.1%, with regard to lower costs for connection to the single geographic IP MPLS network software for the Group, the lower costs secured for the new contracts concluded upon conclusion of a tender procedure and lower costs for utilities connected to a reduction in the prices applied by the operators; iii) cleaning and security costs have decreased mainly due to the expiration of the reception contracts on 1 September 2017 and the insourcing of the work thereafter; iv) lower costs for professional services due to lesser usage of external freelance professionals; v) other costs for services which have increased by 4.2% mainly on account of the higher remuneration paid to the members of the Board of Directors appointed by the Shareholders' Meeting of 28 April 2017; vi) the costs for the use of third party assets have dropped by 14.8% following the termination of a lease and the transfer of the personnel to new offices owned by the company within the Rome Ciampino Area Control Centre.

Margins

These amounts had a positive effect on the calculation of the EBITDA, generating an increase of 4.3% compared with the first quarter of 2017 and reaching €29.9 million with an EBITDA margin up 17.1% (16.3% in the first quarter 2017).

EBIT decreased by €1.7 million, but is improved compared to the corresponding period last year when it was negative by €2.9 million. This result has been calculated based on the amortization and depreciation, net of the capital grants of €31.7 million, a value which is in line with the figure for the first quarter of 2017. The EBIT margin of the first quarter 2018 was -1%, an improvement of 0.7% on the same period in 2017, when it stood at -1.7%.

Financial management

Financial income and expenses had a negative value of €1.3 million, with an increase compared to the first quarter of 2017 of €1.1 million, mainly due to lower financial income.

	1st quarter 2018	1st quarter 2017	Variations
Financial income from balance discounting	236	1,125	(889)
Financial income from current financial assets	10	0	10
Other interest income	210	367	(157)
Total financial income	**456**	**1,492**	**(1,036)**

	1st quarter 2018	1st quarter 2017	Variations
Interest due on bank loans	670	523	147
Interest due on bonds	857	860	(3)
Interest due on employee severance indemnity	161	166	(5)
Interest expenses on derivatives at fair value	20	57	(37)
Other interest due	0	18	(18)
Total financial expenses	**1,708**	**1,624**	**84**
Profit/(loss) on foreing exchange	(50)	(27)	(23)
Total financial income/(expenses)	**(1,302)**	**(159)**	**(1,143)**

The €1 million decrease of the *financial income* is mainly due to lower financial income from balance discounting recorded in the first quarter of 2018 compared to the first quarter of 2017, which benefited the income connected to the discounting of the balance receivables for the third charging zone, which were closed in compliance with Legislative Decree no. 50 of 24 April 2017, converted into Law no. 96 pursuant to which €26 million were allocated to the Parent Company for containment of the charge increases for the third charging zone pursuant to Article 51 of said Law, as provided by the 2016-2019 programme.

The *financial expenses* were €1.7 million, essentially unchanged from the first quarter of 2017 with a slight increase in interest expenses on bank loans for the usage of the second tranche of the EIB loan disbursed at the end of 2017.

Result for the period

The income taxes for the period had a negative balance of € 1.3 million, up by €0.2 million compared to the first quarter of 2017, following the higher tax base and the lower deferred tax assets recognised in the period. The result for the period, as a result of the above, is a loss of €4.4 million, a 4.8% increase compared with the corresponding period of the previous year which recorded a loss of €4.2 million.

Reclassified consolidated statement of financial position

	31.03.2018	31.12.2017	Variations
Tangible assets	1,010,885	1,027,516	(16,631)
Intangible assets	123,811	124,414	(603)
Investments in other companies	49,858	51,217	(1,359)
Non-current trade receivables and payables	70,207	64,526	5,681
Other non-current assets and liabilities	(66,798)	(68,394)	1,596
Net fixed capital	**1,187,963**	**1,199,279**	**(11,316)**
Inventories	60,780	60,986	(206)
Trade receivables	281,684	285,810	(4,126)
Trade payables	(135,660)	(130,854)	(4,806)
Other current assets and liabilities	(155,671)	(134,635)	(21,036)
Assets held for disposal net of related liabilities	1,363	695	668
Net working capital	**52,496**	**82,002**	**(29,506)**
Gross net fixed capital	**1,240,459**	**1,281,281**	**(40,822)**
Employee severance indemnity and other benefits	(54,701)	(55,636)	935
Provisions for risks and charges	(9,480)	(9,479)	(1)
Deferred tax assets net of liabilities	21,158	21,281	(123)
Net invested capital	**1,197,436**	**1,237,447**	**(40,011)**
Shareholders' equity	1,114,167	1,119,965	(5,798)
Net financial indebtedness	83,269	117,482	(34,213)
Total coverage sources	**1,197,436**	**1,237,447**	**(40,011)**

Value in thousands of Euro

Net invested capital stood at €1,197 million, down €40 million compared with 31 December 2017, due to the changes that took place in the following items.

Net fixed capital

Net fixed capital of €1,187.9 decreased by €11.3 million, compared to 31 December 2017, on account of i) the decrease in tangible assets of €16.6 million and intangible assets of €0.6 million, mainly because of higher amortization and depreciation compared to the investments under construction that were recognised during the period; ii) the lower value of the investment in other companies item by €1.4 million, due entirely to the change in the dollar/euro exchange rate; iii) the net increase in non-current trade receivables and payables, referring exclusively to the balances, with € 5.7 million mainly referring to the balances recognised in the first quarter of 2018.

Net working capital

Net working capital was €52.5 million with a decrease of €29.5 million compared to 31 December 2017. The main changes involved: i) the net decrease in trade receivables of €4.1 million, consisting of the Balance receivables for the portion recognised in profit and loss in the first quarter of 2018, which was added to the tariff for the same period and the Eurocontrol receivable due to the lower turnover in February and March 2018, compared to the last two months of 2017; ii) the net increase in trade payables of €4.8 million mainly due to receipt of the pre-financing obtained under the Connecting Europe Facility (CEF) call 2014 and call 2016, of approximately €12.2 million, offset by the €2.9 million reduction in the balance payables which corresponds to the amount recognised in profit and loss and added to the tariff for 2018 and reduction of the trade payables; iii) the change in other current assets and liabilities which resulted in higher debt by €21 million consisting of €5.1 million for tax and social security payables recognised in the period and the allocations for the share of the contributions incumbent upon the personnel; higher payables to Aeronautica Militare and ENAC totalling €15.9 million for the portion applicable to the en-route and terminal collections recognised in the period under review; the payable to the personnel for applicable allocations of €11.3 million; the decrease in supplementary fund payables following payment of the amount due for the second half of 2017 in January which totalled €6.5 million; the increase in prepaid expenses of €3.9 million covering insurance premiums paid in January for the subsequent quarter, the INAIL payment in February and suspension in the prepayments of the portion for the first quarter of 2018.

The determination of **net invested capital** also negatively affected the employee severance indemnity and other benefits by €54.7 million, which recorded in the period a positive change of €0.1 million both for the advance payments and disbursements in the period and for the actuarial gains recognised at 31 March 2018, in addition to the provision for risks and charges of €9.5 million, which was unchanged, and the deferred tax assets and liabilities for a net positive amount of €21.2 million.

Shareholders’ Equity

Shareholders’ equity was € 1,114.2 million and recorded a net decrease of €5.8 million compared to 31 December 2017, following the €4.4 million loss for the period recognised at 31 March 2018, the negative €1.3 million effect of the translation reserve produced by the conversion of the balance sheet and income statements of the foreign subsidiaries to Euro, the negative €0.4 million effect of the reserve for the adoption of IFRS 9 and IFRS 15 and the positive €0.2 million effect of the actuarial gains/losses reserve recognised net of deferred taxes and the reserve for the long term incentive scheme for the management of the Group of €0.1 million.

Net financial indebtedness

Net financial indebtedness amounted to €83.3 million, representing an improvement of €34.2 million compared with 31 December 2017, as shown in the following table.

	31.03.2018	31.12.2017	Variations
Cash and cash equivalents	297,451	263,325	34,126
Current financial receivables	1,881	325	1,556
Current financial debt	(31,931)	(30,462)	(1,469)
Net current financial position	**267,401**	**233,188**	**34,213**
Non-current financial liabilities	0	0	0
Non-current financial debt	(350,670)	(350,670)	0
Non-current financial indebtedness	**(350,670)**	**(350,670)**	**0**
Net financial indebtedness	**(83,269)**	**(117,482)**	**34,213**

Value in thousands of Euro

Net financial indebtedness at 31 March 2018 had a positive change of €34.2 million compared to 31 December 2017, due to ordinary operations which produced a positive cash flow, including also the pre-financing obtained by CEF project calls 2014 and 2016 and other projects totalling €12.5 million.

It is hereby noted that the current financial receivables include €1.5 million which refers to the first tranche of the shareholder loan granted by ENAV North Atlantic to Aireon on 9 March 2018, maturing at the end of June 2018.

Structure of the consolidated net financial indebtedness

	31.03.2018	31.12.2017
(A) Cash	297,451	263,325
(B) Other cash equivalents	0	0
(C) Trading Securities	0	0
(D) Liquidity (A)+(B)+(C)	**297,451**	**263,325**
(E) Current financial receivables	1,491	0
(F) Current financial payables	0	0
(G) Current portion of non-current indebtedness	(31,931)	(30,462)
(H) Other current financial debt	0	0
(I) Current financial indebtness (F)+(G)+(H)	**(30,440)**	**(30,462)**
(J) Net current financial indebtedness/Liquidity (D)+(E)+(I)	**267,011**	**232,863**
(K) Non-current bank loans	(170,670)	(170,670)
(L) Bonds issued	(180,000)	(180,000)
(M) Other non-current loans	0	0
(N) Non-current financial indebtedness (K)+(L)+(M)	**(350,670)**	**(350,670)**
(O) CONSOB Net Financial Indebtedness (J)+(N)	**(83,659)**	**(117,807)**
(P) Current and non-current derivatives instruments	390	325
(Q) ENAV Group Net Financial indebtedness (O)+(P)	**(83,269)**	**(117,482)**

Consolidated cash flow statement

	31.03.2018	31.03.2017	Variations
Cash flow generated/(absorbed) from operating activities	53,876	25,157	28,719
Cash flow generated/(absorbed) from investing activities	(18,990)	(50,235)	31,245
Cash flow generated/(absorbed) from financing activities	(14)	1,329	(1,343)
Cash flow for the period	**34,872**	**(23,749)**	**58,621**
Cash and cash equivalents at the beginning of the period	**264,275**	**231,811**	**32,464**
Exchange rate differences on cash	(78)	(86)	8
Cash and cash equivalents at the end of the period (*)	**299,069**	**207,976**	**91,093**
Free cash flow	**34,886**	**(25,078)**	**59,964**

Value in thousands of Euro

(*) Cash and cash equivalent at the end of the period includes for 1.618 thousands of euro the liquidity of the SICTA Consortium in liquidation (950 thousands of euro at the beginning of the period and 543 thousands of euro at 31 March 2017).

Cash flow from operating activities

The cash flow from operating activities at 31 March 2018 was €53.9 million, up by €28.7 million compared to the same period of the previous year. This cash flow is mainly the result of the increase in the tax and social security payables by €5.1 million for allocation of the current taxes for the period and the allocations for the contributions on the personnel cost recognised for the period, the payable to Aeronautica Militare and ENAC for the applicable portion of the en-route and terminal receivables recognised in the quarter and the higher trade payables resulting mainly from the pre-financing of the financed projects collected in the first quarter of 2018. These effects were partially offset by the increase in the non-current trade receivables for the portion of the balances recognised in the first quarter of 2018. The change of €28.7 million compared to 31 March 2017 is due to the higher amount of the receivables recognised in the first quarter of 2017, which consisted of VAT receivables that had accrued in the period, which was not repeated at 31 March 2018 as the entry into effect of the split payment mechanism does not allow for recognition of VAT receivables and also the trade receivables which discounted lower usage of the current balance compared to 2018. The increase in the trade payables is added to these effects, due to lower payment to suppliers and higher collections of pre-financing from financed projects, as indicated above.

Cash flow from investment activities

The cash flow from investment activities at 31 March 2018 was negative by -€19 million and refers exclusively to the investment activities during the period. The lower cash absorption at 31 March 2018 of €31.2 million, compared to the corresponding period of the previous year, is due to the payment of the third tranche of the consideration for the purchase of investment in Aireon of Euro 15.2 million at 31 March 2017 and higher cash outflows for investments made in the first quarter 2017 on certain projects of a significant amount.

Cash flow from financing activities

The cash flow from financing activities absorbed liquidity of €14 thousand for interest recognised in the first quarter of 2018, decreased by the recognition of the loan from Enav North Atlantic to Aireon for the first tranche of the shareholders' loan of €1.5 million disbursed in March which is repayable in June. This loan, which was not present at 31 March 2017, represents the €1.3 million change at 31 March 2018 as compared to the same period of the previous year.

The **free cash flow** was €34.9 million, thanks to the cash flow generated by the activities during the period which made it possible to cover the cash flow absorbed by the investment 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, in her capacity as the Manager responsible for financial reporting of Enav hereby declares, pursuant to Article 154-*bis*, paragraph 2, of Legislative Decree no. 58/1998 of the Consolidation Finance Act, that the financial disclosures contained in this Interim Financial Report at 31 March 2018, corresponds with the accounting books and records.

Rome, 14 May 2018

Signed by Loredana Bottiglieri

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