



**Interim Financial Report at 30 September 2017
of the Enav Group**

Contents

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

Main operating data

Financial data	3rd quarter 2017	3rd quarter 2016	Variations	%
Total revenues	672,988	662,105	10,883	1.6%
EBITDA	230,462	208,019	22,443	10.8%
EBITDA margin	34.2%	31.4%	2.8%	9.0%
EBIT	129,010	107,459	21,551	20.1%
EBIT margin	19.2%	16.2%	2.9%	18.1%
Group result for the period	89,639	70,436	19,203	27.3%

Value in thousands of Euro

Equity and financial data	31.03.2017	31.12.2016	Variations	%
Net invested capital	1,266,575	1,219,947	46,628	3.8%
Shareholders' Equity	1,109,200	1,119,826	(10,626)	-0.9%
Net financial indebtedness	157,375	100,121	57,254	57.2%

Value in thousands of Euro

Other indicators	3rd quarter 2017	3rd quarter 2016	Variations	%
En route service units	6,709,301	6,492,564	216,737	3.3%
Terminal service unit 1st charging zone	166,856	173,569	(6,713)	-3.9%
Terminal service unit 2nd charging zone	238,846	228,953	9,893	4.3%
Terminal service unit 3rd charging zone	316,188	301,731	14,457	4.8%
Free cash flow (value in thousands of Euro)	38,507	86,807	(48,300)	-55.6%
Headcount at the end of period	4,251	4,327	(76)	-1.8%

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 30 September 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 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 as at 31 March and 30 September in order to take account of the information requirements of its stakeholders.

The Interim Financial Report at 30 September 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 13 November 2017.

The consolidation principles used to prepare the Interim Financial Report as at 30 September 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 as at 30 September 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 in the period January - September 2017 recorded a significant increase in traffic in terms of en-route service units (*) compared with the same period in 2016, with Eurocontrol area countries recording a result up 6.3%.

Among the major European providers, there were widespread increases in en-route service units, including, in particular 8.8% for the Great Britain, 6.6% for Spain, 6.2% for Germany and 5.3% for France.

In this context of growth in en-route air traffic, the result recorded in Italy was also positive, thanks, above all, to the growth recorded between April and September, with an increase in Service Units (SUs) of 3.3% compared with the corresponding period of the previous year.

Total route traffic service units (**)	3rd quarter 2017	3rd quarter 2016	Variations	
			no.	%
France	16,161,120	15,341,987	819,133	5.3%
Germany	10,981,144	10,337,348	643,796	6.2%
Great Britain	9,020,402	8,287,965	732,437	8.8%
Spain	8,017,789	7,519,382	498,407	6.6%
Italy (***)	6,706,828	6,489,598	217,230	3.3%
EUROCONTROL	108,540,702	102,150,821	6,389,881	6.3%

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

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

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

En-route traffic

En-route traffic in Italy for the third quarter of 2017 shows an increase of 3.3% in the service units reported by Eurocontrol (the same value if the remaining category *Exempt not reported to Eurocontrol* is included) and an increase in the number of managed flights of 2.3% (+0.9% if the residual category *Exempt not reported to Eurocontrol* is included).

The positive trend in traffic recorded in the third quarter of 2017 enabled the volume of service units recorded in Italy to rise further. In effect, the growth recorded in the first half of 2017 stood at +2.4% plus the good performance recorded in the summer season (+4.6% between July and September) leading to a profit of +3.3%, with positive results both in terms of service units and flights billed contributed by each traffic component. Specifically, note the good performance of service units in September recorded a 6.7% increase. In this regard, note the positive performance of service units despite the incomplete reopening of Libyan airspace and the effects associated with the organisational and operational restructuring of Alitalia. On the other hand, the positive effects related to the implementation by Enav of the Free Route project mitigated

these circumstances. This innovation allows all aircraft overflying at an altitude of more than 11,000 metres, irrespective of whether they land or take off at Italian airports, to pass through domestic airspace on a direct route without having to rely on network crossing points. This enables airline companies in transit in domestic airspace to plan the shortest routes, without any constraints, with savings in fuel and operating costs, in full compliance with the highest safety levels.

Traffic en-route (Number of flights)	3rd quarter 2017	3rd quarter 2016	Variations	
			no.	%
Domestic	221,800	225,050	(3,250)	-1.4%
International	720,239	694,415	25,824	3.7%
Overflight	451,875	438,796	13,079	3.0%
Paying total	1,393,914	1,358,261	35,653	2.6%
Military	25,741	26,300	(559)	-2.1%
Other exempt	13,539	16,478	(2,939)	-17.8%
Total exempt	39,280	42,778	(3,498)	-8.2%
Total reported by Eurocontrol	1,433,194	1,401,039	32,155	2.3%
Exempt not reported to Eurocontrol	17,322	37,095	(19,773)	-53.3%
Total	1,450,516	1,438,134	12,382	0.9%

Traffic en-route (service units)	3rd quarter 2017	3rd quarter 2016	Variations	
			no.	%
Domestic	1,262,463	1,232,687	29,776	2.4%
International	2,790,276	2,726,484	63,792	2.3%
Overflight	2,542,442	2,420,346	122,096	5.0%
Paying total	6,595,181	6,379,517	215,664	3.4%
Military	101,163	100,914	249	0.2%
Other exempt	10,484	9,167	1,317	14.4%
Total exempt	111,647	110,081	1,566	1.4%
Total reported by Eurocontrol	6,706,828	6,489,598	217,230	3.3%
Exempt not reported to Eurocontrol	2,473	2,966	(493)	-16.6%
Total	6,709,301	6,492,564	216,737	3.3%

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 +2.3%, and in the number of assisted flights, up +3.7%. The lower growth in service units compared to the number of assisted flights is primarily the result of a reduction in average distance flown (-1.0%).

The development of international traffic, both at SU level and the number of flights, was generated by a significant increase in flights in both the low mileage band (<350 Km in domestic airspace) with an

increase in SUs (+4.2%) and flights (+5.0%) and in the high mileage band (>700 Km in domestic airspace), with growth in SUs (+8.0%) and flights (+9.6%).

As regards flights within Europe, we note the good performance of the connections between Italy and rest of Europe (up +2.0% in SUs; up +3.2% in number of flights). These comprise the main part of the SUs for international traffic, representing around 80% of the total SUs, and 87% of the total assisted flights. The performance of connections between Italy and Africa was also positive with an increase in SUs of +13.3% and an increase in assisted flights of +11.2% and in connections between Italy and America/Japan (+4.0% SUs; +3.3% number of flights);

- *commercial overflight traffic*, a category of movements only over domestic airspace, which, in the third quarter of 2017, recorded an increase in service units (+5.0%) and in the number of assisted flights (+3.0%). In the period in question the average distance for each individual flight was up (+2.6%) as a result of the significant development of longer distance flights (>800 Km over domestic airspace) which generated an increase in SUs of +14.2% and in the number of assisted flights by +19% thanks to the performance of intra-European connections and Europe-Africa connections.

With regard to the general analysis of departure/destination areas, note the good performance of connections between European countries (+7.5% SUs; +3.4% no. of flights) which represent approximately 70% of total overflight traffic. The figures for connections between Europe and Africa (+6.0% SUs; +4.6% no. of flights) and connections between Europe and Asia (+1.0% SUs; +2.9% no. of flights) were also positive.

- *domestic commercial traffic* recorded an increase of 2.4% in service units in the period in question in spite of the 1.4% decrease in the number of assisted flights. These figures show a recovery for this type of flights, after several years of dealing with competition from high-speed trains. The increase in long distance flights (>700 Km in domestic airspace) contributed to the increase in SUs. Connections on the Italian North-South axis were the driver behind the positive performance of the service units and number of assisted flights which recorded figures of +5.3% and +5.0%, respectively.
- *exempt traffic*, divided into (i) *exempt traffic reported by Eurocontrol*, which recorded an increase of +1.4% in SUs and a decrease of -8.2% in the number of assisted flights, with the latter figure being caused mainly by a reduction 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 -16.6% in SUs and -53.3% in the number of assisted flights.

With regard to the traffic figures for companies operating in domestic airspace, low-cost companies are the ones driving the domestic air traffic market the most, something which can also be observed in Europe, according to the Eurocontrol figures. Among the largest companies operating in Italy, note the results achieved by Ryanair (+9.6% SUs) and EasyJet (+6.8% SUs), which are the first and the third largest carriers,

respectively, in terms of number of service units produced. The results of Aegean Airlines (+47.1% SUs), Wizz Air (+22.3% SUs), Volotea (+10.0% SUs) and Eurowings (+40.0% SUs) are significant; only Vueling (-15.4%) goes against this trend. All of the above-mentioned companies are in the top fifteen in terms of volumes of service units produced. The operations of Middle Eastern companies like Turkish Airlines (-5.9% SUs) and Emirates (-5.7% SUs) decreased highlighting a fall in air traffic on routes to and from the south east of the Mediterranean. The operations of traditional companies like Lufthansa (+1.0% SUs) and Air France (+3.7%) recovered, while those of Alitalia stayed negative (-4.7% SUs).

Lastly, a strong increase in cargo traffic was recorded in the period, especially involving domestic routes which recorded a rise in service units of +49.6% and in the number of assisted flights by +39.3%.

Terminal traffic

Terminal traffic, which regards take-off and landing within 20 km of the runway, reported by Eurocontrol performed well in the third quarter of 2017 both in terms of service units, which were up +2.7%, as well as in terms of the number of assisted flights, which were up +1.9%.

Terminal traffic (Number of flights)		3rd quarter 2017	3rd quarter 2016	Variations	
				no.	%
Domestic					
	Chg. Zone 1	38,430	41,455	(3,025)	-7.3%
	Chg. Zone 2	44,705	43,782	923	2.1%
	Chg. Zone 3	132,175	129,723	2,452	1.9%
	Total domestic flights	215,310	214,960	350	0.2%
International					
	Chg. Zone 1	75,569	78,748	(3,179)	-4.0%
	Chg. Zone 2	135,567	128,685	6,882	5.3%
	Chg. Zone 3	147,035	137,598	9,437	6.9%
	Total international flights	358,171	345,031	13,140	3.8%
Paying total		573,481	559,991	13,490	2.4%
Exempt					
	Chg. Zone 1	102	69	33	47.8%
	Chg. Zone 2	652	1,000	(348)	-34.8%
	Chg. Zone 3	15,314	17,429	(2,115)	-12.1%
	Total exempt flights	16,068	18,498	(2,430)	-13.1%
Total reported by Eurocontrol		589,549	578,489	11,060	1.9%
Exempt not reported to Eurocontrol					
	Chg. Zone 1	1	2	(1)	0.0%
	Chg. Zone 2	382	703	(321)	-45.7%
	Chg. Zone 3	8,533	24,774	(16,241)	-65.6%
Tot. exempt flights not reported to Eurocontrol		8,916	25,479	(16,563)	-65.0%
Total for chg Zone					
	Chg. Zone 1	114,102	120,274	(6,172)	-5.1%
	Chg. Zone 2	181,306	174,170	7,136	4.1%
	Chg. Zone 3	303,057	309,524	(6,467)	-2.1%
Total		598,465	603,968	(5,503)	-0.9%

Terminal traffic (service units)		3rd quarter 2017	3rd quarter 2016	Variations	
				no.	%
Domestic					
	Chg. Zone 1	46,710	50,288	(3,578)	-7.1%
	Chg. Zone 2	51,413	49,917	1,496	3.0%
	Chg. Zone 3	145,630	141,488	4,142	2.9%
	Total domestic SUs	243,753	241,693	2,060	0.9%
International					
	Chg. Zone 1	119,871	123,113	(3,242)	-2.6%
	Chg. Zone 2	187,072	178,544	8,528	4.8%
	Chg. Zone 3	163,847	152,383	11,464	7.5%
	Total international SUs	470,790	454,040	16,750	3.7%
Paying total		714,543	695,733	18,810	2.7%
Exempt					
	Chg. Zone 1	275	168	107	63.7%
	Chg. Zone 2	328	433	(105)	-24.2%
	Chg. Zone 3	5,999	6,140	(141)	-2.3%
	Total SUs exempt	6,602	6,741	(139)	-2.1%
Total reported by Eurocontrol		721,145	702,474	18,671	2.7%
Exempt not reported to Eurocontrol					
	Chg. Zone 1	0	0	0	0.0%
	Chg. Zone 2	33	59	(26)	-44.1%
	Chg. Zone 3	712	1,720	(1,008)	-58.6%
Total exempt SUs not reported to Eurocontrol		745	1,779	(1,034)	-58.1%
Total for chg Zone					
	Chg. Zone 1	166,856	173,569	(6,713)	-3.9%
	Chg. Zone 2	238,846	228,953	9,893	4.3%
	Chg. Zone 3	316,188	301,731	14,457	4.8%
Total		721,890	704,253	17,637	2.5%

In overall terms, the results for the third quarter of 2017, compared with the corresponding period of the previous financial year, show a negative trend in the first charging zone and a positive trend in the second and third charging zones in terms of service units. In particular:

- charging zone 1, which refers exclusively to Rome Fiumicino Airport, which stands at -3.9% in terms of service units and -5.1% for assisted flights, suffered especially from the Alitalia situation which recorded a -4.1% reduction in SUs and -6.8% in assisted flights in the first nine months of 2017. If one considers that Alitalia represents about 42% of the SUs developed during the period at the main Rome airport;
- charging zone 2, which refers to Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio, shows an increase both in SUs (+4.3%) and assisted flights (+4.1%) mainly due to the good results achieved by the airports of Milano Malpensa (+6.8% SUs; +7.4% no. of flights) and Bergamo Orio al Serio (+7.1% SUs; +8% no. of flights). The impact associated with the situation of the Italian national carrier is lower in this zone, since it represents only 12.7% of the SUs. Note, however, in the period in question, Alitalia recorded a fall of -6.8% in SUs in this zone.

- charging zone 3 is up in terms of SUs (+4.8%) compared with the reduction in the number of assisted flights (-2.1%). This latter result depends on the reduction recorded by the item "Exempt flights not reported to Eurocontrol" (-65.6%), which, in any event, produce a marginal number of SUs. Therefore, removing the effect of the reduction of exempt flights, the figure for flights in the third charging zone would have been +3.4%, in line with the result recorded by service units. Conversely, with regard to Alitalia, there has been a -3.8% decrease in SUs compared with the same period in 2016. As with the charging zone 2, the impact is, in any case, limited considering that Alitalia's share compared with all the SUs in zone 3 is about 14.7%. In this charging zone, note the good performance of Naples airport (+17.4% SUs), Catania (+13.7% SUs), Cagliari (+10.2% SUs), Turin (+5.4% SUs) and Palermo (2.6%).

Regarding the various traffic category items, as already demonstrated for the en-route traffic, *international* traffic is the main component, with an increase of +3.7% in SUs and +3.8% in the number of assisted flights. This increase is specifically attributable to the results achieved by the airports in charging zones 2 and 3. The *domestic traffic* item, highlights a 0.9% increase in service units and a 0.2% rise in assisted flights. This traffic item was affected by the negative performance of air traffic on the first charging zone.

Effects of seasonality

The type of business in which the Parent Company operates is affected by the 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, revenue performance, which is closely connected to air traffic volumes, is not uniform throughout the year and reach the peak in the summer months in particular. Consequently, the Group's interim results, as already shown in the first quarter and in the half-year report, do not contribute evenly to the economic and financial results for the year.

Group economic and financial performance

Definition of 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 Group to ensure greater comparability, reliability and understanding of the financial information.

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

- **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation):** is an indicator of profit before the effects of financial management and taxation, as well as depreciation, amortisation and write-downs on 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 liabilities, current and non-current financial receivables net of non-current financial liabilities referred to the fair value of the derivative financial instruments and cash and cash equivalents;
- **Free cash flow:** is the sum of the cash flow generated or absorbed from operating activities and the cash flow generated or absorbed from investing activities.

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

Reclassified consolidated income statement

	3rd quarter 2017	3rd quarter 2016	Variations	
			Values	%
Revenues from operations	669,345	626,388	42,957	6.9%
Balance	(21,786)	10,094	(31,880)	-315.8%
Other operating income	25,429	25,623	(194)	-0.8%
Total revenues	672,988	662,105	10,883	1.6%
Personnel costs	(354,188)	(354,164)	(24)	0.0%
Capitalisation of internal work	20,396	20,315	81	0.4%
Other operating costs	(108,734)	(120,237)	11,503	-9.6%
Total operating costs	(442,526)	(454,086)	11,560	-2.5%
EBITDA	230,462	208,019	22,443	10.8%
EBITDA margin	34.2%	31.4%	2.8%	9.0%
Net amortisation of investment contributions	(96,540)	(100,113)	3,573	-3.6%
Write-downs, losses (write-backs) of value and provisions	(4,912)	(447)	(4,465)	998.9%
EBIT	129,010	107,459	21,551	20.1%
EBIT margin	19.2%	16.2%	2.9%	18.1%
Financial income (expenses)	(1,559)	(2,630)	1,071	-40.7%
Pre-tax income	127,451	104,829	22,622	21.6%
Income taxes for the period	(37,812)	(34,393)	(3,419)	9.9%
Profit/(loss) for the period	89,639	70,436	19,203	27.3%

Value in thousands of Euro

Analysis of revenue

Revenues from operations stood at €669.3 million, up 6.9% compared with the corresponding period of the previous year, comprising €658.7 million in revenue from the parent company's core business (+6.7% in the third quarter of 2016) and €10.6 million from business conducted by the Group in the non-regulated market (up +18.5% in the third quarter of 2016).

	3rd quarter 2017	3rd quarter 2016	Variations	%
En Route revenues	478,511	456,470	22,041	4.8%
Terminal revenues	169,765	150,975	18,790	12.4%
En Route and terminal exemptions	10,425	9,961	464	4.7%
Revenues from non-regulated market	10,644	8,982	1,662	18.5%
Total revenues from operations	669,345	626,388	42,957	6.9%

Value in thousands of Euro

En-route revenues totalled €478.5 million, an increase of 4.8% compared with the corresponding period of the previous year, on account of the higher service units in the period which affected both domestic and international and overflight traffic by +3.4% in total compared with the third quarter of 2016. This was in the

context of charges applied which were essentially unchanged compared with 2016 standing at €80.00 (€80.08 in 2016).

Terminal revenues amounted to €169.8 million and recorded an increase of 12.4% 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 overall stood at +2.7%, with a negative performance for the first charging zone and a positive performance for the other two zones, and also the charge applied.

Specifically, the first charging zone, which refers to Rome Fiumicino Airport, recorded lower traffic managed, expressed in service units, of -3.9% compared with the third quarter of 2016, an airport which suffers greatly from the difficulties which Alitalia finds itself in. Added to this effect is the 6% of charge reduction in 2017 which determined a charge of €188.57 compared with €200.68 in 2016. The second charging zone, which refers to the airports Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio, recorded a good performance for managed air traffic which increased, in terms of service units, by 4.4% compared with the corresponding period of the previous year, a performance which partly offset the lower revenue deriving from a tariff reduction in 2017 of the 10%, with a charge of €209.95 compared with €233.33 in 2016. The third charging zone, which includes 40 medium and low traffic airports, recorded an increase in managed air traffic, expressed in service units, of +5.3% compared with the third quarter of 2016, and benefits from both revenue from the airports of Comiso and Rimini, which came under the management of the Parent Company with effect, respectively from September and November 2016, and the 24% tariff increase applied in 2017 through a charge of €323.79 compared with 2016 when there was a contribution from the Ministry of Economy and Finance of approximately €26 million which allowed a lower charge of €260.96 to be applied. *Revenue for en-route and terminal exemptions* was €10.4 million, up 4.7% compared with the third quarter of 2016 due to higher service units for exempt flights for en-route traffic.

Revenue from the non-regulated market stood at €10.6 million, with an overall increase of 18.5% equal to €1.7 million compared with the corresponding period of the previous year, a change which would have stood at +33.4% if the €1 million for the third quarter of 2016 resulting from the effect of the acknowledgement and settlement agreement signed by the subsidiary Techno Sky and Leonardo S.p.A., following the arbitration proceedings which concluded in May 2016, was excluded. Revenue from the non-regulated market changed according to the type of service provided in the period with an increase in revenue for services provided abroad including: i) in the United Arab Emirates, for the restructuring of the airspace which generated revenue of €2.6 million; ii) in Libya, both for the construction of the control tower and the technical area of the Mitiga airport and for the training of 60 Libyan air traffic controllers, with total revenue of €1.1 million; iii) in Morocco, for the instrument flight procedures research and the restructuring of the air space, with revenue of €0.7 million. These activities made it possible to offset the reduction in revenue for *Air Traffic*

Services provided by the Parent Company through direct contracts including those which refer to the airport of Comiso, charged from September 2016 and previously managed under a direct agreement and for tower services for the airport of Crotona following the end of the temporary exercising at the end of October 2016 and as a result of the closure of the airport.

The *balance charge adjustments*, also part of the Parent Company's operations, totalled -€21.8 million and were calculated on the basis of the items listed in the following table:

	3rd quarter 2017	3rd quarter 2016	Variations
Balance charge adjustments for the period	(3,787)	21,759	(25,546)
Discounting effect	64	(419)	483
Balance changes	(2)	(185)	183
Balance utilisation	(18,061)	(11,061)	(7,000)
Total balance	(21,786)	10,094	(31,880)

Value in thousands of Euro

The balance charge adjustments item for the period, equal to -€3.8 million, a total fall of €25.5 million compared with the third quarter of 2016, includes €10 million for en-route balances and is negative by €13.8 million for terminal balances. Specifically, route balances refer mainly to traffic risk and the portion not recovered of balances recorded in previous years and incorporated in the 2017 charge in the amount of €18.8 million in total (€14.8 million in the third quarter of 2016), following the lower service units generated at the end of September 2017 compared with the performance plan figures (-6.7%) and the inflation balance of -€9.6 million, in line with the third quarter of 2016. The terminal balances include: i) a positive balance for the first charging zone totalling €0.3 million (negative by €0.7 million in the third quarter of 2016), the net effect between the positive balance for traffic risk (-5.8% in terms of service units compared with the performance plan figures) and the negative balance for inflation; ii) a negative balance for the second charging zone totalling €2.9 million linked to both traffic (+4% compared with the projected figures) and inflation; iii) a balance reimbursed for the third charging zone, created by a cost recovery logic, equal to -€11.2 million as a result of the effect of greater traffic in the period and lower costs incurred. The overall variation of the balance charge adjustments for the period is mainly due to the balance for the third charging zone which in the corresponding previous period was positive by €18.7 million as a lower charge was applied while awaiting the contribution from the Ministry of Economy and Finance.

The balance utilisation of €18.1 million refers to the charge repayment and therefore to the income statement for the portion of en-route and terminal balances recorded in previous years.

Other operating income of €25.4 million, essentially in line with the third quarter of 2016, mainly includes the contribution recognized to the Parent Company pursuant to Article 11-*septies* of Law 248/05, in order to offset for the costs incurred to ensure the safety of facilities and operational safety in the amount of €22.5 million in the period.

Cost trends

	3rd quarter 2017	3rd quarter 2016	Variations	
			Values	%
Personnel costs	(354,188)	(354,164)	(24)	0.0%
Capitalisation of internal work	20,396	20,315	81	0.4%
Other operating costs	(108,734)	(120,237)	11,503	-9.6%
Total operating costs	(442,526)	(454,086)	11,560	-2.5%

Value in thousands of Euro

Operating costs totalled €442.5 million, a decrease of 2.5% compared with the corresponding period of the previous year and consist of personnel costs of €354.2 million, other operating costs of €108.7 million and capitalisation of internal work which generated a positive effect of €20.4 million.

	3rd quarter 2017	3rd quarter 2016	Variations	%
Wages and salaries, of which:				
fixed remuneration	205,435	204,836	599	0.3%
variable remuneration	45,393	44,469	924	2.1%
Total wages and salaries	250,828	249,305	1,523	0.6%
Social security contributions	82,240	82,924	(684)	-0.8%
Employee severance indemnity	15,941	16,013	(72)	-0.4%
Other costs	5,179	5,922	(743)	-12.5%
Total personnel costs	354,188	354,164	24	0.0%

Value in thousands of Euro

The balance of *personnel costs* was in line with the final figures in the third quarter of 2016, standing at €354.2 million. The performance of the various cost items changed, specifically with a 0.6% increase in wages and salaries due in part to the fixed remuneration which contains a valuation of the possible effects of the renewal of the contract which expired at the end of 2016, effects which were largely offset by the lower costs generated by the reduction in the Group headcount corresponding to 42 average units, compared with the corresponding period of the previous year, and 76 actual units, with a headcount at the end of the third quarter of 2017 of 4,251 units (4,327 units in the third quarter of 2016). Variable remuneration recorded an overall increase of 2.1% mainly related to overtime connected to the training of Air Traffic Controllers for the implementation of the free route platform project which involved the Parent Company's operating staff starting from the last months of 2016, and the need to employ a larger number of resources in July and August to deal with the increase in recorded traffic. Social security contributions declined by 0.8% following the reaching of the pension contribution ceiling, while other personnel costs fell by 12.5% in part with reference to the early retirement incentive paid to employees leaving in the period in question which amounted to €1.7 million (€2.1 million in the third quarter of 2016).

Other operating costs stood at €108.7 million, a fall of 9.6% compared with the corresponding period of the previous year, equal to €11.5 million; a greater change compared with the reduction linked to costs incurred for the privatisation process which in the third quarter of 2016 weighed in at €7.4 million.

	3rd quarter 2017	3rd quarter 2016	Variations	%
Costs for the purchase of goods	5,653	6,150	(497)	-8.1%
Costs for services:				
Maintenance costs	14,756	15,589	(833)	-5.3%
Costs for Eurocontrol contributions	28,029	30,995	(2,966)	-9.6%
Costs for utilities and telecommunications	27,087	26,782	305	1.1%
Costs for insurance	2,034	4,467	(2,433)	-54.5%
Cleaning and security	3,651	3,965	(314)	-7.9%
Other personnel-related costs	7,159	7,285	(126)	-1.7%
Professional services	7,566	7,891	(325)	-4.1%
Other costs for services	4,832	9,933	(5,101)	-51.4%
Total costs for services	95,114	106,907	(11,793)	-11.0%
Costs for the use of third-party assets	4,301	4,512	(211)	-4.7%
Other operating expenses	3,666	2,668	998	37.4%
Total	108,734	120,237	(11,503)	-9.6%

Value in thousands of Euro

In the break-down of the individual items note a widespread reduction in the various cost items including those for the purchase of goods, which mainly includes the costs incurred for the purchase of replacement parts relating to equipment and apparatus used for air traffic control, which fell on account of the fewer purchases in the period and costs for services. The latter recorded a total net decrease of 11% connected to the lower Eurocontrol contribution costs, the reduction in insurance costs which benefited from the saving associated with the new contracts concluded which ran from 1 July 2016, the lower costs for professional services which in the third quarter of 2016 included part of the costs associated with the privatisation process while the third quarter in question includes costs, not incurred previously, which refer both to costs supporting the new projects abroad and costs incurred in relation to the new status as a listed company, as well as costs for radio frequency utilisation in non-aeronautical bands. Other costs for services fell by €5.1 million because the third quarter of 2016 included the advertising costs for the privatisation.

Margins

These amounts had a positive effect in the calculation of the EBITDA, generating an increase of 10.8% compared with the third quarter of 2016 and reaching €230.5 million with an EBITDA margin up 34.2% (31.4% in the third quarter 2016).

EBIT was €129 million, up €21.5 million on the corresponding period of the previous year when it stood at €107.5 million. Amortisation and depreciation affected this result by €96.5 million, a fall of €3.6 million compared with the third quarter of 2016, partly offset by the effect of the write-down of receivables in the period in order to take into account the situation of Alitalia which went into extraordinary administration through the order of 2 May 2017. The EBIT margin in the third quarter of 2017 was 19.2%, an improvement compared with the corresponding period of the previous year when it stood at 16.2%.

Financial management

Financial income and expenses had a negative value of €1.6 million, recording an improvement compared with the third quarter of 2016 of €1 million, mainly due to the growth of financial income.

	3rd quarter 2017	3rd quarter 2016	Variations
Income from investments in other companies	417	250	167
Financial income from balance discounting	2,060	487	1,573
Financial income from non-current financial assets	0	0	0
Interest income on VAT credit refunds	19	356	(337)
Other interest income	1,230	1,443	(213)
Total financial income	3,726	2,536	1,190

Value in thousands of Euro

	3rd quarter 2017	3rd quarter 2016	Variations
Interest due on bank loans	1,554	1,555	(1)
Interest due on bonds	2,602	2,601	1
Interest due on employee severance indemnity	543	722	(179)
Other interest due	148	304	(156)
Total financial expenses	4,847	5,182	(335)
Profit/(loss) on foreign exchange	(438)	16	(454)
Total financial income and expenses	(1,559)	(2,630)	1,071

Value in thousands of Euro

The increase in *financial income* of €1.2 million compared with the corresponding period of the previous year refers mainly to the income from the balance discounting, which only includes the portion of balance receivables attributable to the quarter, but also the allocation to the income statement of the discounting of part of the receivables for the balance of the third charging zone, following the termination of the receivables

implemented in compliance with Decree Law 50 of 24 April 2017 converted through Law 96 pursuant to Article 51 which recognized to the Parent Company €26 million for curbing the terminal third charging zone increases set out in the 2016-2019 programme contract.

Financial expenses fell by €0.3 million both through lower interest costs on employee severance indemnity in the period and through lower financial expenses recorded in the third quarter of 2017 by the subsidiary Techno Sky following the conclusion of the arbitration proceedings at the end of the 2016 half-year where interest legal rate was applied to the credit and debit entries frozen in the arbitration award.

Result for the period

Income taxes for the period were negative by €37.8 million, up by €3.4 million compared with the third quarter of 2016, following the higher tax base, although the result for the period benefits from the lower current taxes following the reduction of the IRES rate from 27.5% to 24%. The profit for the period, as a result of the above, stands at €89.6 million, a 27.3% improvement compared with the corresponding period of the previous year when it stood at €70.4 million.

Reclassified consolidated statement of financial position

	30.09.2017	31.12.2016	Variations
Tangible assets	1,026,865	1,056,281	(29,416)
Intangible assets	123,977	123,084	893
Investments in other companies	52,025	36,468	15,557
Non-current trade receivables and payables	67,381	136,770	(69,389)
Other non-current assets and liabilities	(70,705)	(73,036)	2,331
Net fixed capital	1,199,543	1,279,567	(80,024)
Inventories	60,749	60,895	(146)
Trade receivables	366,193	226,651	139,542
Trade payables	(124,622)	(132,512)	7,890
Other current assets and liabilities	(189,764)	(166,459)	(23,305)
Assets held for disposal net of related liabilities	(275)	13	(288)
Net working capital	112,281	(11,412)	123,693
Gross net fixed capital	1,311,824	1,268,155	43,669
Employee severance indemnity and other benefits	(54,988)	(57,388)	2,400
Provisions for risks and charges	(10,417)	(11,029)	612
Deferred tax assets net of liabilities	20,156	20,209	(53)
Net invested capital	1,266,575	1,219,947	46,628
Shareholders' equity	1,109,200	1,119,826	(10,626)
Net Financial Indebtedness	157,375	100,121	57,254
Total coverage sources	1,266,575	1,219,947	46,628

Value in thousand of Euro

Net invested capital was €1,266.6 million, up by €46.6 million compared with 31 December 2016 resulting from changes in the following items.

Net fixed capital

Net fixed capital of €1,199.5 million decreased by €80 million as at 30 September 2017 compared with 31 December 2016, because of: i) the decrease in tangible assets of €29.4 million, mainly the result of depreciation higher than the investments made during the period; ii) an increase of €15.6 million in the item investment in other companies resulting from the payment by Enav North Atlantic of the third and fourth instalments for the acquisition of the interest in Aireon of \$22.9 million, which took its stake up to 10.07%; iii) the net reduction in non-current trade receivables and payables, which refer exclusively to the balances of €69.4 million, being the net effect of the recognition of the balances for the period of -€3.8 million, the cancellation of €26 million of terminal balances of the third charging zone recorded in previous years and recognised by the Ministry of Economy and Finance through Article 51 of Legislative Decree 50/2017, reducing the payable recognised for the same period of 2014 and the reclassification of current balance trade receivables and trade payables which will be included in the 2018 charge.

Net working capital

Net working capital was €112.3 million, up by €123.7 million compared with 31 December 2016. The main changes involved: i) the €139.5 million increase in trade receivables which refers €91.2 million to Eurocontrol following increased traffic in the last two months of the third quarter of 2017, and therefore relates to not-past due positions and to the two months' revenue from Alitalia not collected; the receivable from the Ministry of Infrastructure and Transport for the safety contribution which provides €22.5 million and the balance receivable of €31 million mainly for the allocation in the current portion of balances which will be included in the 2018 charge. These increases were reduced by €4.7 million following the prudential write-down of receivables made in the period and which refer to Alitalia and an airport management company; ii) the €7.9 million decrease in trade payables following the higher payments to suppliers of €19 million, an effect offset by the increase in balance payables following the reclassification in the current portion of part of the balances which will be included in the 2018 charge and the collection of the pre-financing obtained for the Connecting Europe Facility (CEF) project 2015 call first cluster 2015 -2018 for approximately €6 million; iii) the change in other current assets and liabilities creating a net effect of greater debt of €23.3 million relating to tax payables of €12.6 million following IRES in the period; greater payables to the Italian Air Force of €28.2 million for the portion pertaining to the collection of en-route and terminal receivables recognized in the period net of payments made; a reduction in payables to the Ministry of Economy and Finance of €26 million following the effects associated with Legislative Decree 50 of 24 April 2017; a decrease in tax

receivables of €11.4 million mainly through the collection of the VAT receivable for 2016 for which a refund was requested in February 2017 and collected for a total of €13.6 million.

When calculating **net invested capital** the employee severance indemnity, negative by €55 million also had an impact, recording a positive change in the period of €2.4 million both in payments and advances made during the period and the actuarial gain recorded at 30 September 2017, as well as provisions for risks and charges of €10.4 million and deferred tax asset and liabilities for a positive net amount of €20.2 million.

Shareholders' Equity

Shareholders' equity stood at €1,109.2 million recording a net decrease of €10.6 million compared with 31 December 2016 mainly following the profit recorded at 30 September 2017 of €89.6 million and the falls in shareholders' equity following the payment of the €95.3 million dividend and the negative effect of the translation reserve of the financial statements in foreign currency which had a negative impact of €4.9 million.

Net financial indebtedness

Net financial indebtedness amounted to €157.4 million, an increase of €57.3 million compared with 31 December 2016, as shown in the following table.

	30.09.2017	31.12.2016	Variations
Cash and cash equivalents	158,594	231,007	(72,413)
Current financial receivables	0	1,221	(1,221)
Current financial debt	(32,258)	(32,622)	364
Net current financial position	126,336	199,606	(73,270)
Non-current financial receivables	283	0	283
Non-current financial liabilities	0	(104)	104
Non-current financial debt	(283,994)	(299,623)	15,629
Non-current financial indebtedness	(283,711)	(299,727)	16,016
Net financial indebtedness	(157,375)	(100,121)	(57,254)

Value in thousands of Euro

There was a negative change in net financial indebtedness as at 30 September 2017 of €57.3 million compared with 31 December 2016, relating mainly to the payment of the €95.3 million dividend made in May and the payment of the third and fourth instalments of the purchase price for the stake in Aireon of approximately \$22.9 million. These effects were offset by the ordinary operations which produced a positive cash flow, as described below. Non-current financial debt fell by €15.6 million on account of the repayment of the half-year instalments on medium-term loans.

Structure of the consolidated net financial indebtedness

	30.09.2017	31.12.2016
(A) Cash	158,594	231,007
(B) Other cash equivalents	0	0
(C) Trading Securities	0	0
(D) Liquidity (A)+(B)+(C)	158,594	231,007
(E) Current financial receivables	0	0
(F) Current financial payables	0	0
(G) Current portion of non-current indebtedness	(32,258)	(32,622)
(H) Other current financial debt	0	0
(I) Current financial indebtedness (F)+(G)+(H)	(32,258)	(32,622)
(J) Net current financial indebtedness/Liquidity (D)+(E)+(I)	126,336	198,385
(K) Non-current bank loans	(103,994)	(119,623)
(L) Bonds issued	(180,000)	(180,000)
(M) Other non-current loans	0	0
(N) Non-current financial indebtedness (K)+(L)+(M)	(283,994)	(299,623)
(O) CONSOB Net Financial Indebtedness (J)+(N)	(157,658)	(101,238)
(P) Current and non-current derivatives instruments	283	1,117
(Q) ENAV Group Net Financial Indebtedness (O)+(P)	(157,375)	(100,121)

Value in thousand of Euro

Consolidated statement of cash flows

	30.09.2017	30.09.2016	Variations
Cash flow generated/(absorbed) from operating activities	137,748	150,053	(12,305)
Cash flow generated/(absorbed) from investing activities	(99,241)	(63,246)	(35,995)
Cash flow generated/(absorbed) from financing activities	(111,285)	(61,148)	(50,137)
Cash flow for the period	(72,778)	25,659	(98,437)
Cash and cash equivalents at the beginning of the period	231,811	174,141	57,670
Exchange rate differences on cash	104	(379)	483
Cash and cash equivalents at the end of the period (*)	159,137	199,421	(40,284)
Free cash flow	38,507	86,807	(48,300)

Value in thousands of Euro

(*) Cash and cash equivalent at the end of the period includes for 543 thousands of euro the liquidity of the SICTA Consortium in liquidation.

Cash flow from operating activities

The cash flow from operating activities generated at 30 September 2017 stood at €137.7 million, down €12.3 million compared with the figure in the corresponding period of the previous year, following the not collected receivables due from Alitalia of approximately €17 million, lower VAT collections of €13.6 million compared with €40.5 million at 30 September 2016, the increase in the balance payables following the increase in the period of negative balances totalling €24.4 million compared with €12.4 million in the corresponding previous period, lower balance receivables recorded in the period of €13.5 million, greater receivables from the core business, lower changes regarding the provision for risk and charges used in 2016 following the dispute of the subsidiary Techno Sky to the tune of €5.2 million, effects partly offset by the greater profit for the period of €19.2 million.

Cash flow from investing activities

The cash flow from investing activities at 30 September 2017 was negative by €99.2 million, up by €36 million compared with the figure recorded at 30 September 2016, due to greater payments of €19.1 million to suppliers associated with investment projects and for the payment of the third and fourth instalments of €16.9 million as the purchase price for the investment in Aireon, which was not present as at 30 September 2016.

Cash flow from financing activities

The cash flow from financing activities absorbed total liquidity of €111.3 million recording a negative change of €50.1 million compared with the corresponding period of the previous year mainly with reference to the payment of the €95.3 million dividend, an increase of €48 million compared with 30 September 2016.

The **free cash flow** stood at €38.5 million thanks to the cash flow generated by activities in the period which allowed to cover the cash flow absorbed by investing activities. In this regard, note that net of the investing activities in Aireon which absorbed cash of €16.9 million, the free cash flow would have stood at €55.4 million with a negative change of €31.4 million compared with the corresponding period of the previous period, mainly on account of the not-collected receivables due from Alitalia, the lower collection of VAT receivables and the higher payments made to suppliers for investment projects.

Declaration of the Manager responsible for financial reporting pursuant to Article 154-*bis* paragraph 2 of Legislative Decree 58/1998

The undersigned Loredana Bottiglieri, as Manager responsible for financial reporting for Enav, pursuant to Article 154-*bis*, paragraph 2 of Legislative Decree 58/1998 - Consolidated Finance Act, declares that the accounting information in this Interim Financial Report at 30 September 2017 corresponds to that contained in the accounting documentation, books and records.

Rome, 13 November 2017

Signed by Loredana Bottiglieri

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