Consolidated Interim Financial Report

as at 30 June 2020

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Interim report on operations

ENAV in figures

Performance	1st Half 2020	1st Half 2019	Change	%
Total revenues	372,491	417,298	(44,807)	-10.7%
EBITDA	88,022	115,038	(27,016)	-23.5%
EBITDA margin	23.6%	27.6%	-4.0%	
EBIT	20,483	49,570	(29,087)	-58.7%
EBIT margin	5.5%	11.9%	-6.4%	
Profit for the year attributable to shareholders of the Parent Company	15,720	34,170	(18,450)	-54.0%

(Thousands of euros)

Financial position	30.06.2020	31.12.2019	Change	%
Net capital employed	1,158,374	1,029,667	128,707	12.5%
Equity attributable to attributable to shareholders of the Parent Company	1,059,855	1,156,043	(96,188)	-8.3%
Net financial debt	98,519	(126,376)	224,895	n.a.

(Thousands of euros)

Other indicators	1st Half 2020	1st Half 2019	Change	%
En-route service units	1,884,969	4,529,875	(2,644,906)	-58.4%
Terminal service units Charging Zone 1	43,074	112,481	(69,407)	-61.7%
Terminal service units Charging Zone 2	70,993	165,141	(94,148)	-57.0%
Terminal service units Charging Zone 3	78,087	203,603	(125,516)	-61.6%
Free cash flow	(112,336)	74,901	(187,237)	n.a.
Headcount at end of period	4,230	4,054	176	4.3%

Corporate bodies

Board of Directors (*)	
Chairman	Francesca Isgrò
Chief Executive Officer	Paolo Simioni
Directors	Angela Bergantino
	Laura Cavallo
	Giuseppe Lorubio
	Fabiola Mascardi
	Fabio Pammolli
	Carlo Paris
	Antonio Santi

Control, Risks and Related Parties Committee (**)	
Chairman	Antonio Santi
Member	Laura Cavallo
	Fabio Pammolli

Remuneration and Appointments Committee (**)	
Chairman	Giuseppe Lorubio
Member	Laura Cavallo
	Antonio Santi

Sustainability Committee (**)	
Chairman	Carlo Paris
Member	Angela Bergantino
	Fabiola Mascardi

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

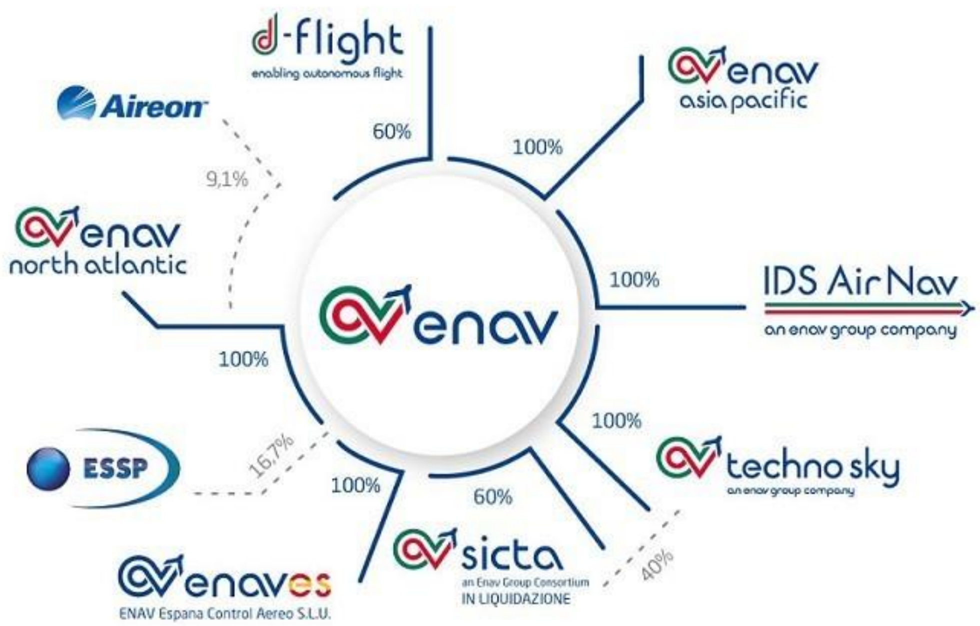
Magistrate of the Court of Auditors designated to control ENAV S.p.A.	Mauro Orefice

Audit firm	EY S.p.A.

(*) The Shareholders' Meeting of 21 May 2020 appointed the ENAV Board of Directors for 2020 – 2022, with the term ending on the date of the Shareholders' Meeting to be called to approve the financial statements as at 31 December 2022;
(**) The Committees were reformed by the Board of Directors meeting held on 21 May 2020 following the Shareholders' Meeting.

Business and structure of the ENAV Group

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



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

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

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

The residual *other sectors* segment includes:

- **Enav Asia Pacific Sdn Bhd**, a Malaysian company wholly owned by ENAV, which is involved in business development and the delivery of services on the non-regulated market, with particular regard to the areas of strategic interest in Southeast Asia.
- **Enav North Atlantic LLC**, which holds 9.14% of the share capital of Aireon LLC, which will rise to 11.1% post redemption. It is responsible for the implementation of the first global satellite monitoring system for air traffic control, with the aim of enabling the comprehensive surveillance of all routes worldwide, with a focus on the polar, oceanic and other remote areas currently not covered by radar-based air traffic control services, and enabling the optimisation of routes and achieving ever higher standards of flight safety and efficiency.
- **D-Flight S.p.A.** a company 60% held by ENAV and 40% held by an industrial partnership consisting of Leonardo S.p.A. and Telespazio S.p.A. through the specifically established company UTM Systems & Services S.r.l.. D-Flight is involved in the development and provision of services for low-altitude air traffic management of remotely piloted aircraft and all other types of aircraft that fall within the unmanned aerial vehicles category.
- **ENAV España Control Aereo S.L.U.** a company wholly owned by ENAV, which was acquired in January 2020 in order to participate in the tender for the award of terminal air traffic management services organised by the Spanish airport operator.
- **Sicta Consortium in liquidation**, which was placed in voluntary liquidation with a resolution voted by all the Consortium's shareholders on 3 March 2017, with effect from 28 March 2017.

Operating environment

The operating environment in the first quarter of 2020, characterised by an extraordinary emergency connected with the effects of the COVID-19 pandemic and by the general quarantine imposed in response, continued to prevail during the second quarter of the year as well. With specific regard to Italy, the strong contraction in economic activity caused a substantial decline in GDP in April-June 2020, which, adjusted for calendar effects, decreased by 12.8% compared with the previous quarter and 17.7% compared with the second quarter of 2019. It should be noted that this figure is worse than the preliminary estimate released in July 2020, which forecast a 12.4% contraction in GDP.

The air transport sector was especially hard hit in these conditions after having already experienced a substantial reduction in volumes from March 2020, with traffic levels consistently 90% down on those in the corresponding period of the previous year for most European countries.

The data collected by Eurocontrol on traffic for the European area confirm that the reduction in traffic volumes was particularly significant, bearing in mind that on 30 June 2020, traffic had declined from over 35,000 flights handled on the corresponding day in 2019 to about 9,300 in 2020, a reduction of 73.8%.

In July and August 2020, traffic increased significantly, leaving volumes in mid-September about 56.8% below the figure posted in the corresponding period of 2019.

This trend can also be seen in Italy, where the number of flights at 15 September 2020 was 60.6% lower than in 2019. Currently, the contraction in traffic volumes has generally stabilised at between 55% and 60%, presumably reflecting general uncertainty about a possible resurgence of the pandemic and a consequent tightening of the measures for containing the contagion.

As a result of the spread of COVID-19, operations at airports and the Area Control Centres have gradually diminished, as have activities on the non-regulated market, with a consequent reduction in the Group's revenues.

Taking account of the estimates released by the various sector statistical offices regarding the continuation of the effects of the pandemic for 2020 as a whole on all national and international economic sectors, at the end of March the Group began a process of reforecasting its costs in order to reduce expenditure overall and to mitigate the effects of the reduction in revenues, without however compromising the levels of capacity and safety delivered in the provision of its services.

The most substantial measures concerned the variable portion of personnel costs, which focused on the use of holidays, the containment of overtime, travel, availability and bonuses, as well as the rescheduling of hiring planned for the year.

At the same time, further actions were taken to mitigate overall expenditure, with measures impacting external costs for non-operational maintenance, consulting services, utilities and general costs not directly related to operating the business.

In overall terms, the reduction in costs envisaged in the budget revision approved by the Board of Directors on 14 May 2020, which was confirmed in the actual figures for the period in question, helped to mitigate the adverse effects caused by the reduction in tariff revenues and in balance revenues as a result of the adjustment of the charging mechanism envisaged by the European Commission.

Market and air traffic developments

Air traffic control activities in the first half of 2020 were fully impacted by the effects of the global health emergency, which with the imposition of lockdown measures in March 2020 saw the almost total elimination of passengers at airports, with particularly severe impacts on airlines, airports and air navigation service providers.

The first half of 2020 ended with a drastic reduction in traffic volumes, as en-route service units (*) fell by a total of 58.4% compared with the same period of 2019. After closing the first quarter of the year with a decrease of 12.3% in en-route service units, despite having benefitted from the good performance registered in the first two months of the year, the trend in the second quarter of 2020 was especially adverse, with an average decrease in service units of 89.2%, posting figures of -91.1%, -89.9% and -87.2% in April, May and June, respectively, reflecting in full the effects of the COVID-19 pandemic.

Similar developments were registered in Europe, where the average number of service units in the first half of 2020 for the countries belonging to Eurocontrol decreased by 53.2%, with all the countries in the European comparator group posting declines: Germany (-50.3%), United Kingdom (-51.9%), Spain (-57.6%) and France (-58.8%).

Total en-route traffic service units (**)	**1st Half 2020**	**1st Half 2019**	**Change no.**	**Change %**
France	4,293,134	10,422,562	(6,129,428)	-58.8%
Germany	3,617,066	7,277,058	(3,659,992)	-50.3%
Great Britain	2,874,406	5,975,823	(3,101,417)	-51.9%
Spain	2,302,193	5,430,447	(3,128,254)	-57.6%
Italy (***)	1,884,397	4,528,609	(2,644,212)	-58.4%
EUROCONTROL	**34,123,255**	**72,905,616**	**(38,782,361)**	**-53.2%**

(*) overflight traffic in Italian airspace, with or without layover.
(**) "service unit" is the unit of measurement used within Eurocontrol to determine the value of services rendered. It is a combination of two elements: the weight of the aircraft at departure and the distance travelled.
(***) excluding exempt traffic not reported to Eurocontrol.

En-route traffic

Total en-route traffic in Italy in the first half of 2020 registered a decrease of 58.4% in the number of service units reported by Eurocontrol (the same value if the residual category *Exempt not reported to Eurocontrol* is included) and a decline of 59.9% in the number of flights handled (-59.7% including the residual category *Exempt not reported to Eurocontrol*).

The decisive factor in this decline in air traffic, especially in the second quarter, is to be found exclusively in the COVID-19 pandemic, which led to the almost total shutdown of the air transport sector. These exceptional conditions emerged in the early days of March in Italy and were followed by the spread of the health emergency to most other European countries, which are equally important in generating traffic flows in Italian airspace.

Until February, total en-route traffic in Italy had displayed a certain dynamism, achieving gains of 9.8% in terms of service units (SUs) and 4.9% in the number of flights handled in the comparison between January-February 2020 and January-February 2019, thanks mainly to overflight traffic, which benefitted from the consolidation of the Free Route project. April and May subsequently registered significant decreases, on the order of about 90% in terms of service units (SUs), while June saw a decrease of about 87%, with only a minimal recovery in air traffic connected with summer holiday travel. There was only a modest number of flights to Mediterranean destinations, such as Spain, Greece, France, Malta and Tunisia, which have the greatest impact on the volume of overflights in national airspace.

En-route traffic (number of flights)	**1st Half 2020**	**1st Half 2019**	**Change no.**	**Change %**
Domestic	61,524	140,394	(78,870)	-56.2%
International	170,591	471,154	(300,563)	-63.8%
Overflight	119,813	297,806	(177,993)	-59.8%
Paying total	**351,928**	**909,354**	**(557,426)**	**-61.3%**
Military	15,228	16,110	(882)	-5.5%
Other exempt	7,019	8,184	(1,165)	-14.2%
Total exempt	**22,247**	**24,294**	**(2,047)**	**-8.4%**
Total reported by Eurocontrol	**374,175**	**933,648**	**(559,473)**	**-59.9%**
Exempt not reported to Eurocontrol	6,172	10,403	(4,231)	-40.7%
Total	**380,347**	**944,051**	**(563,704)**	**-59.7%**

En-route traffic (service units)	**1st Half 2020**	**1st Half 2019**	**Change no.**	**Change %**
Domestic	354,361	848,539	(494,178)	-58.2%
International	661,121	1,856,373	(1,195,252)	-64.4%
Overflight	807,494	1,753,446	(945,952)	-53.9%
Paying total	**1,822,976**	**4,458,358**	**(2,635,382)**	**-59.1%**
Military	55,163	64,221	(9,058)	-14.1%
Other exempt	6,258	6,030	228	3.8%
Total exempt	**61,421**	**70,251**	**(8,830)**	**-12.6%**
Total reported by Eurocontrol	**1,884,397**	**4,528,609**	**(2,644,212)**	**-58.4%**
Exempt not reported to Eurocontrol	572	1,266	(694)	-54.8%
Total	**1,884,969**	**4,529,875**	**(2,644,906)**	**-58.4%**

An analysis of the composition of en-route traffic shows:

- *international commercial traffic*, the category of flights departing or arriving at an airport in Italy, which in the first half of 2020 recorded a steep decrease in air traffic, both in terms of service units (-64.4%) and the number of assisted flights (-63.8%), interrupting the steady growth of recent years, which came to a halt in February 2020 owing to the COVID-19 pandemic. In the second quarter of 2020 alone, traffic ground to an almost complete halt, both in terms of SUs (-93.4%) and flights handled (-92.9%).

  With regard to international traffic by flight distance (short, medium and long-distance flights in national airspace), in the first half of 2020 all segments registered decreases in air traffic of more than 60% in terms of service units, with the contractions in April and June amounting to about 90%.

With regard to flight routes by continent, the first half of 2020 showed a decrease of more than 65% in connections between Italy and the rest of Europe, representing about 74% of total international traffic service units, and in connections between Italy and the American continent, accounting for about 5% of international traffic service units. Decreases of more than 50% in service units were registered for connections between Italy and Africa and Italy and Asia, which respectively represent 8% and 13% of total international service units;

- *commercial overflight traffic*, a category that includes flights that only cross through domestic airspace, posted a steep decrease in the first half of 2020 in terms of service units (-53.9%) and number of flights handled (-59.8%), after registering an increase of 24% in terms of service units in the first two months of 2020 compared with the same period of 2019. This segment, too, was mainly impacted by the health emergency in the second quarter of the year, which experienced a substantial decrease in both SUs (-87.8%) and number of flights (90.1%). In terms of traffic by flight distance, the routes registering the smallest declines in terms of service units were longer-distance flights (>800 Km in national airspace), which contracted by 47.3%, while medium (between 400 and 800 Km) and shorter-distance flights (<400 Km) experienced decreases of 59.1% and 54.7% respectively.

  As regards the main traffic routes, intra-European flights, which represent about 40% of total overflight SUs, declined by 64.9% in terms of SUs. A similar pattern was registered by connections between Europe and Africa (-45.4% in SUs), Europe and Asia (-28.9% in SUs) and Europe and the American continent (-55.4% in SUs);
- *domestic commercial traffic* in the first half of 2020 posted a decrease in service units (-58.2%) and the number of assisted flights (-56.2%). In January-February 2020, this segment of traffic had recorded unchanged volumes (-0.3% SUs), while in the second quarter it registered a reduction of 88.4% in SUs and 83.5% in the number of assisted flights, in line with other types of flight. Note that in June domestic traffic registered the smallest decrease (about -80.8% in SUs), thanks especially to the last ten days of the month;
- *exempt traffic* is divided into: i) *exempt traffic reported by Eurocontrol*, which decreased by 12.6% in terms of service units and by 8.4% in terms of the number of assisted flights. The developments in this category mainly reflected a decline in military flights (-14.1% in SUs), which represent about 90% of exempt traffic; and ii) *exempt traffic not reported to Eurocontrol*, which accounts for only a residual proportion of revenues, posted a decrease of 54.8% in service units and one of 40.7% in the number of assisted flights.

With regard to carriers, the importance of the low-cost segment was confirmed in the first half of 2020, with Ryanair registering the largest volume of traffic in national airspace, while legacy carriers improved their positioning. Given the health emergency, all carriers recorded decreases in traffic, notably Ryanair

(-60.5% in SUs), EasyJet (-69.4% in SUs), Wizz Air (-52.8% in SUs), Vueling (-75.7% SUs) and Aegean (-66.4% in SUs). In January and February, these companies had instead posted increases (with the exception of Vueling). Among other airlines, the Middle Eastern carriers such as Turkish Airlines (-48.0% in SUs), Emirates (-44.8% in SUs) and Qatar Airways (-32.5% in SUs) recorded smaller declines than other airlines thanks to the good performance registered in the first two months of the year. Decreases were also registered in the first half of 2020 by Lufthansa (-67.2% in SUs), Air France (-53.7% in SUs) and British Airways (-41.9% in SUs). Alitalia also posted losses, closing the half with a decrease of 55.4% in service units and 56.8% in the number of assisted flights.

Terminal traffic

In the first half of 2020, terminal traffic reported by Eurocontrol, which includes departing and arriving traffic within 20 km of the runway, contracted by 60.1% in terms of service units and 59.5% in terms of the number of assisted flights.

Terminal traffic (number of flights)	**1st Half 2020**	**1st Half 2019**	**Change no.**	**Change %**
Domestic				
Chg. Zone 1	10,921	24,939	(14,018)	-56.2%
Chg. Zone 2	13,100	31,176	(18,076)	-58.0%
Chg. Zone 3	34,323	80,402	(46,079)	-57.3%
Total domestic flights	**58,344**	**136,517**	**(78,173)**	**-57.3%**
International				
Chg. Zone 1	17,836	50,301	(32,465)	-64.5%
Chg. Zone 2	36,239	90,892	(54,653)	-60.1%
Chg. Zone 3	30,525	93,024	(62,499)	-67.2%
Total international flights	**84,600**	**234,217**	**(149,617)**	**-63.9%**
Paying total	**142,944**	**370,734**	**(227,790)**	**-61.4%**
Exempt				
Chg. Zone 1	189	38	151	397.4%
Chg. Zone 2	824	439	385	87.7%
Chg. Zone 3	8,583	9,626	(1,043)	-10.8%
Total exempt flights	**9,596**	**10,103**	**(507)**	**-5.0%**
Total reported by Eurocontrol	**152,540**	**380,837**	**(228,297)**	**-59.9%**
Exempt not reported to Eurocontrol				
Chg. Zone 1	0	2	(2)	n.a.
Chg. Zone 2	144	154	(10)	-6.5%
Chg. Zone 3	3,777	5,796	(2,019)	-34.8%
Total exempt flights not reported to Eurocontrol	**3,921**	**5,952**	**(2,029)**	**-34.1%**
Total by Chg. Zone				
Chg. Zone 1	28,946	75,280	(46,334)	-61.5%
Chg. Zone 2	50,307	122,661	(72,354)	-59.0%
Chg. Zone 3	77,208	188,848	(111,640)	-59.1%
Total	**156,461**	**386,789**	**(230,326)**	**-59.5%**

Terminal traffic (service units)	1st Half 2020	1st Half 2019	Change no.	Change %
Domestic				
Chg. Zone 1	14,202	31,182	(16,980)	-54.5%
Chg. Zone 2	15,932	37,190	(21,258)	-57.2%
Chg. Zone 3	38,925	92,509	(53,584)	-57.9%
Total domestic SUs	**69,059**	**160,881**	**(91,822)**	**-57.1%**
International				
Chg. Zone 1	28,665	81,236	(52,571)	-64.7%
Chg. Zone 2	54,314	127,750	(73,436)	-57.5%
Chg. Zone 3	35,284	107,040	(71,756)	-67.0%
Total international SUs	**118,263**	**316,026**	**(197,763)**	**-62.6%**
Paying total	**187,322**	**476,907**	**(289,585)**	**-60.7%**
Exempt				
Chg. Zone 1	207	63	144	228.6%
Chg. Zone 2	735	188	547	291.0%
Chg. Zone 3	3,596	3,599	(3)	-0.1%
Total exempt SUs	**4,538**	**3,850**	**688**	**17.9%**
Total reported by Eurocontrol	**191,860**	**480,757**	**(288,897)**	**-60.1%**
Exempt not reported to Eurocontrol				
Chg. Zone 1	0	0	0	n.a.
Chg. Zone 2	12	13	(1)	-7.7%
Chg. Zone 3	282	455	(173)	-38.0%
Total exempt SUs not reported to Eurocontrol	**294**	**468**	**(174)**	**-37.2%**
Total by Charging Zone				
Chg. Zone 1	43,074	112,481	(69,407)	-61.7%
Chg. Zone 2	70,993	165,141	(94,148)	-57.0%
Chg. Zone 3	78,087	203,603	(125,516)	-61.6%
Total	**192,154**	**481,225**	**(289,071)**	**-60.1%**

Overall, the performance for the first half of 2020 compared with the same period of the previous year shows a general decline in all three charging zones, both in terms of service units and the number of assisted flights, reflecting the health emergency, which also led to the closure of air traffic at most Italian airports: starting from 12 March, only eighteen airports continued to operate in Italy, with that number rising to twenty-five following the issue of a ministerial decree on 14 June. More specifically:

- Charging Zone 1, represented by Rome Fiumicino airport, experienced a decrease in traffic in the first half of 2020 of 61.7% in terms of service units and 61.5% in the number of flights handled, with decreases in all components of air traffic, whether international (-64.7% in SUs) or domestic (-54.5% in SUs). The Roman airport had already seen a slowdown in flight activity in the first two months of the year, owing to a decline in the operations of major carriers such as Ryanair, Vueling, EasyJet and Alitalia, which accounts for about 50% of total service units at the airport. In the second quarter of 2020 alone, it registered a decrease of 89.3% in the number of service units, with international traffic contracting more (-93.4% in SUs) than domestic traffic (-78.4%);
- Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted a decrease for the period in terms of service units (-57.0%) and in flights

handled (-59.0%), affecting all airports in this charging zone, with drops of between 50% and 55% at Milan Malpensa and Bergamo Orio al Serio and about 65% at Milan Linate and Venice Tessera. In the first two months of 2020, Charging Zone 2 had posted gains (+3.3% in SUs) thanks to the performance of Milan Malpensa and Bergamo Orio al Serio, while in the second quarter it saw traffic volumes contract sharply (-86.6%), also reflecting the halt of flight operations as from 13 March at the airports of Milan Linate and Bergamo Orio al Serio. The charging zone is less affected by the operations of Alitalia, which represented about 13% of service units in the first half of the year and posted a decrease of 56.3% in terms of service units, while in the first two months of the year traffic was broadly unchanged on the same period of the previous year;

- Charging Zone 3 registered decreases both in terms of service units (-61.6%) and number of flights handled (-59.1%). In the first two months of the year, the charging zone had registered gains (+2.7% in SUs; +2.3% in flights) thanks to the good performance of the main airports in this zone. Nevertheless, at the end of the first half, decreases ranging between 50% and 60% were reported by all airports, including Bologna, Naples, Catania, Rome Ciampino, Palermo, Bari and Torino Caselle. In the second quarter of the year, the zone experienced a severe contraction in service units (-90.8%), also reflecting the fact that most of the smaller airports in this segment were closed on government orders. Alitalia experienced a decrease in terms of service units (-54.6%). The impact was still relatively small, considering that Alitalia's operations account for about 17% of service units in this charging zone.

As for the various traffic components, as already noted for en-route traffic, the COVID-19 crisis generated contractions for both *international traffic* (-62.6% in SUs, -63.9% in flights) and *domestic traffic* (-57.1% in SUs, -57.3% in flights). By contrast, in January-February 2020 international traffic had registered an increase (+1.9% in SUs), while domestic traffic had posted a small decline (-2.8% in SUs) compared with the same period of the previous year.

Performance and financial position of the ENAV Group

Definition of alternative performance measures

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

The use of alternative performance indicators in the context of regulated information disclosed to the public was made mandatory with Consob Communication no. 0092543 of 3 December 2015, which transposed the guidelines (no. 2015/1415) issued on 5 October 2015 by the European Securities and Markets Authority (ESMA). The indicators are intended to ensure the comparability, reliability and understanding of financial information.

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

- **EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)**: an indicator of profit before the effects of financial operations and taxation, as well as depreciation, amortisation and writedowns of property, plant and equipment and intangible assets and receivables and provisions, as reported in the financial statements and adjusted for investment grants directly related to the depreciating and amortising investments to which they refer;
- **EBITDA margin**: EBITDA expressed as a percentage of total revenues and adjusted for investment grants as specified above;
- **EBIT (Earnings Before Interest and Tax):** EBITDA less depreciation and amortisation adjusted for investment grants and writedowns of property, plant and equipment and intangible fixed assets and receivables and provisions;
- **EBIT margin**: EBIT expressed as a percentage of total revenues less investment grants as specified above;
- **Net non-current assets**: a financial measure represented by the fixed capital employed in operations. It includes property, plant and equipment, intangible assets, investments in other entities, non-current trade receivables and payables, and other non-current assets and liabilities;
- **Net working capital**: capital employed in operations comprising inventory, trade receivables and other non-financial current assets, net of trade payables and other current liabilities excluding those of a financial nature, plus assets held for disposal net of related liabilities;
- **Gross capital employed**: the sum of net non-current assets and net working capital;
- **Net capital employed**: the sum of gross capital employed, less employee benefit provisions, the provision for risks and charges and deferred tax assets/liabilities;
- **Net financial debt**: the sum of the current and non-current financial liabilities, current and non-current financial receivables net of non-current financial liabilities in respect of the fair value of derivative financial instruments and cash and cash equivalents;
- **Free cash flow**: the sum of the cash flow generated or absorbed by operating activities and the cash flow generated or absorbed by investing activities.

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

The impact of COVID-19 on performance

In compliance with the recommendations issued by ESMA in May and referred to by CONSOB on 16 July 2020 regarding the impact of the COVID-19 pandemic on performance, this section provides a unified report on the effects of the emergency, with a comparison with the corresponding period of the previous year.

The impact on performance in the first half of 2020 for the ENAV Group was reflected in a sharp reduction in revenue from the Parent Company's core business, due to the almost total cessation of operations in the air transport sector beginning in March 2020, a period in which the COVID-19 emergency was affecting both Italy and most of the other European countries that generate the largest volume of traffic flows in national airspace. The contraction in these operations led to a reduction in service units of 58.4% for en-route traffic and 60.1% for terminal traffic compared with the first half of 2019, with the decline in the second quarter of 2020 coming to 90% in terms of en-route service units for April and May and 87% in June. These reductions decreased revenue from charges by a total of €271.1 million compared with the first half of 2019, of which €201.1 million in respect of en-route traffic and €71 million for terminal traffic.

In response to the impact of the health emergency on the air transport sector, the European Commission proposed a revised charging mechanism for the 2020-2021 period, with an impact on the measurement of balance and their recovery in subsequent years, without prejudice to the contractual right to receive revenues on the basis of services rendered. This new method reduced the value of balance associated with the decline in traffic in the first half of 2020.

With regard to operating costs, given the reduction in air traffic control operations and the use of smart working, the variable component of personnel costs declined, as did other operating costs, which, on a like-for-like basis with respect to the first half of 2019 - i.e. excluding IDS AirNav, which was included in the scope of consolidation in July 2019 and was therefore not present in the year-earlier period - recorded an overall decrease of 8.4% despite the increase in costs incurred primarily to safeguard the health of Group's employees, consisting in the purchase of personal protective equipment, the cost of sanitising the workplace and donations.

All of this had an impact on the gross operating margin (EBITDA), which declined by 23.5% compared with the first half of 2019. Another factor was an increase in writedowns of trade receivables recognised to take account of the change in risk levels in the air transport sector and the expectation of a possible deterioration in collections on receivables, producing a decrease of 58.7% in the net operating margin (EBIT) compared with the corresponding period of the previous year.

Reclassified consolidated income statement

The overall performance of the ENAV Group in the first half of 2020 was affected by the spread of the COVID-19 pandemic, which took effect starting from March, with net profit for the first half of the year amounting to €15.6 million, down 54.2% compared with the corresponding period of the previous year.

	1st Half 2020	1st Half 2019	Amount	Change %
Revenues from operations	164,482	429,244	(264,762)	-61.7%
Balance	191,432	(29,814)	221,246	n.a.
Other operating income	16,577	17,868	(1,291)	-7.2%
Total revenues	**372,491**	**417,298**	**(44,807)**	**-10.7%**
Personnel costs	(235,235)	(249,175)	13,940	-5.6%
Capitalised costs	13,239	12,979	260	2.0%
Other operating expenses	(62,473)	(66,064)	3,591	-5.4%
Total operating costs	**(284,469)**	**(302,260)**	**17,791**	**-5.9%**
EBITDA	**88,022**	**115,038**	**(27,016)**	**-23.5%**
EBITDA margin	**23.6%**	**27.6%**	**-4.0%**	
Net amortisation of investment grants	(65,229)	(64,872)	(357)	0.6%
impairment) and provisions	(2,310)	(596)	(1,714)	287.6%
EBIT	**20,483**	**49,570**	**(29,087)**	**-58.7%**
EBIT margin	**5.5%**	**11.9%**	**-6.4%**	
Financial income/(expense)	(2,538)	(2,609)	71	-2.7%
Income before taxes	**17,945**	**46,961**	**(29,016)**	**-61.8%**
Income taxes	(2,310)	(12,838)	10,528	-82.0%
Profit (loss) for the period	**15,635**	**34,123**	**(18,488)**	**-54.2%**
Profit (loss) for the period pertaining to shareholders of the Parent Company	15,720	34,170	(18,450)	-54.0%
Profit (loss) for the period pertaining to non-controlling interests	(85)	(47)	(38)	80.9%

(Thousands of euros)

Revenues from operations amounted to €164.4 million, a decrease of 61.7% compared with the same period of the previous year, of which revenues from the Parent Company's core business in the amount of €152.7 million (-64.1% on the first half of 2019) and revenues from the Group's operations on the non-regulated market of €11.7 million (+€7.6 million on the first half of 2019), mainly reflecting revenues generated by the subsidiary IDS AirNav, which was included in the scope of consolidation in July 2019. The decrease in revenues from the core business, including en-route and terminal revenues, is entirely attributable to the COVID-19 pandemic, which sharply curbed air transport operations, producing a reduction in services units at the end of the first half of 2020 equal to 58.4% for en-route traffic and 60.1% for terminal traffic. The decrease in revenues generated in the first half of 2020 also reflected a decrease in charges for en-route traffic applied in 2020 of 15.3% compared with 2019, while the reduction amounted to 7.4% considering charges net of balance.

Balance, which are also included in the operating activities on the Parent Company, made a positive contribution of €191.4 million, partially recouping the decrease in traffic actually registered compared with the planned figures used in determining the charge for 2020. The value of balancewas calculated in accordance with the proposal of the European Commission, which seeks to modify the existing mechanism so as to cover actual determined costs for 2020-2021, with a cap (efficiency gains) on total costs. This balance include en-route revenues of €147.4 million and terminal revenues of €52.9 million, which in addition to recognition in profit or loss (and thus incorporation in charges for 2020) of balance recognised in previous years in the positive amount of €3.8 million, take account of the interest component connected with timing of the recovery of balance recognised in the first half of 2020 in charges applied, i.e. as from 2023 over five years. This factor had a negative impact of €12.8 million in the period.

Operating expenses decreased by 5.9% compared with the year-earlier period to a total of €284.5 million, reflecting a decline both in personnel costs of 5.6% and in other operating expenses of 5.4%, with a slight increase in capitalised costs. Excluding the costs contributed by IDS AirNav, which were not included in the corresponding period of 2019, costs declined by 8.4%.

Personnel costs amounted to €235.2 million, a decrease of €13.9 million on the first half of 2019. More specifically fixed remuneration increased by 2.5%, mainly attributable to the subsidiary IDS AirNav (2%), which was not consolidated in the first half of 2019, while the remainder are attributable to the effects of the renewal of the bargaining agreement of the Parent Company, which were triggered in March and December 2019. The effective workforce at the end of the first half of 2020 numbered 4,230 (4,054 at the end of the first half of 2019), an increase of 176 that mainly reflected IDS AirNav. The average workforce stood at 4,235, an increase of 130 compared with the corresponding period of the previous year; excluding the workforce of IDS AirNav, the average would have decreased by 18 units. Variable remuneration decreased by 39.9% overall due to the measures taken in response to the health emergency, with a decrease in overtime for air traffic controllers on the one hand, which was directly connected with the decline in air traffic, and on the other an increase in recourse to holiday entitlement, which had a positive effect in the first half of 2020 owing to the rise in the number of days of holiday taken by employees compared with the year-earlier period. Social security contributions decreased by 5.9% to €55 million, while other personnel costs rose by €0.5 million to €3.8 million, due to an increase in termination incentives paid in the period.

Other operating expenses amounted to €62.5 million, down 5.4% compared with the year-earlier period, with a decline in costs for telecommunications for data connections of the ENET1 network as a result of the decommissioning of older circuits and the lower costs associated with the new contract and in costs for utilities as a consequence of the decrease in electricity consumption across the entire country connected with the closure of certain airports and the use of flexible working arrangements. Other factors include a reduction in other personnel costs owing to the elimination of travel costs as from March as a result of the COVOD-19 emergency. These reductions were partially offset by higher costs for the purchase of personal protective equipment, the cleaning costs associated with extraordinary sanitation efforts at all sites since the beginning of the coronavirus emergency and donations to the Lazzaro Spallanzani National Institute for Infectious Diseases and the Civil Protection Department in the fight against COVID-19.

These developments produced **EBITDA** of €88 million, down 23.5% compared with the first half of 2019.

Depreciation and amortisation net of investment grants amounted to €65.2 million, broadly in line with the corresponding period of the previous year, while writedowns of receivables and provisions had a total negative impact of €2.3 million, an increase on the first half of 2019 in reflection of the updating of the model used to assess the recoverability of trade receivables in the light of the deterioration of forecast recoveries of payments in arrears due from carriers owing to the critical conditions impacting the air transport industry. As a result, **EBIT** amounted to €20.5 million, down 58.7% on the corresponding period of 2019.

Financial income and expense show net expense of €2.5 million, essentially unchanged on the first half of 2019, while income taxes for the period decreased by 82% to a negative €2.3 million, reflecting both the decrease in taxable income and the recognition of deferred taxes connected with the discounting of receivables for balance recognised in the first half of 2020.

Net profit pertaining to shareholders of the Parent Company amounted to €15.7 million, down 54% on the first half of 2019, while the net loss pertaining to non-controlling interests was €85 thousand.

Reclassified consolidated financial position

	30.06.2020	31.12.2019	Change	
Property, plant and equipment	937,509	976,272	(38,763)	-4.0%
Right-of-use assets	7,806	8,857	(1,051)	-11.9%
Intangible assets	169,101	171,567	(2,466)	-1.4%
Investments in other entities	64,258	63,225	1,033	1.6%
Non-current trade receivables and payables	176,822	(39,804)	216,626	n.a.
Other non-current assets and liabilities	(118,744)	(124,343)	5,599	-4.5%
Net non-current assets	**1,236,752**	**1,055,774**	**180,978**	**17.1%**
Inventories	61,301	60,690	611	1.0%
Trade receivables	169,560	213,321	(43,761)	-20.5%
Trade payables	(129,364)	(138,754)	9,390	-6.8%
Other current assets and liabilities	(139,590)	(115,855)	(23,735)	20.5%
Assets held for sale net of related liabilities	1,401	1,402	(1)	-0.1%
Net working capital	**(36,692)**	**20,804**	**(57,496)**	**-276.4%**
Gross capital employed	**1,200,060**	**1,076,578**	**123,482**	**11.5%**
Employee benefit provisions	(50,551)	(52,509)	1,958	-3.7%
Provisions for risks and charges	(1,816)	(1,778)	(38)	2.1%
Deferred tax assets net of liabilities	10,681	7,376	3,305	44.8%
Net capital employed	**1,158,374**	**1,029,667**	**128,707**	**12.5%**
Shareholders' equity pertaining to Parent Company shareholders	1,057,440	1,153,543	(96,103)	-8.3%
Shareholders' equity pertaining to non-controlling interests	2,415	2,500	(85)	-3.4%
Shareholders' equity	**1,059,855**	**1,156,043**	**(96,188)**	**-8.3%**
Net financial debt	98,519	(126,376)	224,895	n.a.
Total funding	**1,158,374**	**1,029,667**	**128,707**	**12.5%**

(Thousands of euros)

Net capital employed amounted to €1,158 million at 30 June 2020, an increase of €128.7 million compared with 31 December 2019. Of this, 91.5% was funded by consolidated shareholders' equity, with the remainder covered by non-shareholder funds.

Net non-current assets amounted to €1,236.7 million, an increase of €180.9 million on 31 December 2019, mainly reflecting: i) an increase of €216.6 million in non-current trade receivables and payables due to the recognition of the receivables for balance that emerged in the first half of 2020. Net of interest, they amounted to €192.7 million, reflecting both the reduction in payables for balance following the reclassification under current liabilities of the portion that will be included in charges and thus in profit or loss in 2021 and the recognition under non-current trade receivables of the Eurocontrol portion that will be collected in August 2021 in the amount of about €6 million; ii) a net decrease of €38.8 million in property, plant and equipment as a result of the recognition of greater depreciation than investments under construction during the period; and iii) an increase in the value of investments in other entities of

€1 million, accounted for by the adjustment to fair value of the investment in Aireon and by changes in the dollar/euro exchange rate.

Net working capital amounted to a negative €36.7 million, a decrease of €57.5 million on 31 December 2019. The main changes regarded: i) a net decrease of €43.8 million in trade receivables associated with the decrease of €45.5 million in the receivable from Eurocontrol as a result of the decrease in turnover as from March 2020 owing to the health emergency; an increase in the grant to guarantee the safety of plant and operational safety accruing at 30 June 2020 in the amount of €15 million; a decrease of €6.4 million in payables for balance owing to the reversal to profit or loss of the share pertaining to the first half of 2020 and incorporated in charges for the same period; ii) a decrease of €9.4 million in trade payables, the net effect of greater payments in the period than in new payables accruing and an increase in payables for balance as a result of the reclassification of the non-current payable for balance; iii) the change in other current assets and liabilities, which resulted in a net increase in liabilities of €23.7 million as a result of a decline of €8 million in tax receivables due to the collection of the VAT receivable for which reimbursement had been requested; an increase of €14.1 million in prepaid expenses attributable to the 14th–month salary instalments paid in June but pertaining to the following months; an increase of €20.5 million in tax and contribution liabilities connected with an increase in social security contributions and personal income tax accrued on the 14th-month salary payment to personnel in June as well as personnel provisions for contributions accruing the period and an increase in other liabilities attributable to greater liabilities in respect of the Italian Air Force and ENAC in the net amount of €8.8 million, corresponding to the accrued portion of collections of en-route and terminal receivables in the period due to them, net of a payment of €10.8 million.

In determining *net capital employed*, the employee benefit provisions had a negative impact of €50.5 million, with the decrease in the period of €1.9 million reflecting severance payments to personnel at 30 June 2020, provisions for risks and charges amounting to €1.8 million and net deferred tax assets of a positive €10.7 million.

Shareholders' equity totalled €1,059.9 million, a net decrease of €96.2 million on 31 December 2019. The change mainly reflects the payment of €113.2 million in dividends, the negative impact of which was partly offset by the recognition of the amount accrued for the period of the reserve for the long-term incentive plan for Group management and net profit of €15.7 million.

Net financial debt was €98.5 million, a deterioration of €224.9 million on 31 December 2019, when the item was a positive €126.4 million.

	30.06.2020	31.12.2019	Change	
Cash and cash equivalents	218,255	449,268	(231,013)	-51.4%
Current financial receivables	25,028	24,977	51	0.2%
Current financial debt	(16,856)	(15,058)	(1,798)	11.9%
Current financial debt for IFRS 16 lease liabilities	(2,176)	(2,112)	(64)	n.a.
Net current financial position	**224,251**	**457,075**	**(232,824)**	**-50.9%**
Non-current financial receivables	151	85	66	77.6%
Non-current financial debt	(316,896)	(323,713)	6,817	-2.1%
Non-current financial debt for IFRS 16 lease liabilities	(6,025)	(7,071)	1,046	n.a.
Non-current financial debt	**(322,770)**	**(330,699)**	**7,929**	**-2.4%**
Net financial debt	**(98,519)**	**126,376**	**(224,895)**	**n.a.**

(Thousands of euros)

The deterioration of €224.9 million in the net financial position reflected developments in collections and payments connected with ordinary operations, which generated a negative cash flow, due mainly to the reduction in receipts from our core business, primarily in the second quarter of the year, as a result of the sharp contraction in air traffic control operations and the deferral granted to airlines of the collection of receivable for flights in the months from February to May 2020, which will be settled with payments beginning as from November 2020 and every three months thereafter. Other factors included the payment of dividends in the amount of €112.7 million and the payment to the Italian Air Force of collected terminal receivables pertaining to that institution in the amount of €10.8 million, partly offset by the collection of €8 million in respect of the VAT receivable and projects financed at the European level and the Infrastructure and Transport NOP.

Note that the Group has unused credit lines at 30 June 2020 worth €297.5 million euros a long-term line of credit of €70 million that was drawn down in August 2020.

Consolidated cash flows

	1st Half 2020	1st Half 2019	Change
Cash flow generated/(absorbed) by operating activities	(70,158)	106,956	(177,114)
Cash flow generated/(absorbed) by investing activities	(42,178)	(32,055)	(10,123)
Cash flow generated/(absorbed) by financing activities	(118,691)	(106,590)	(12,101)
Cash flow for the year	**(231,027)**	**(31,689)**	**(199,338)**
Cash and cash equivalents at the beginning of the year	**450,657**	**317,716**	**132,941**
Exchange rate differences on cash	10	20	(10)
Cash and cash equivalents at end of the year	**219,640**	**286,047**	**(66,407)**
Free cash flow	**(112,336)**	**74,901**	**(187,237)**

(Thousands of euros)

Cash flows from operating activities absorbed liquidity in the amount of €70.2 million in the first half of 2020, a negative change of €177.1 million compared with the corresponding period of the previous year. This flow, which was fully affected by the impact of the COVID-19 pandemic, was generated by the following factors: i) an increase in non-current trade receivables due to the recognition of balances for the period, partially offset by a decrease in current trade receivables accrued in respect of Eurocontrol as a result of the decline in air traffic, the overall change in which amounted to €150.9 million, compared with €25.3 million in the first half of 2019; ii) a decrease of €8.9 million in tax receivables following the collection - in the amount of €8 mllion - of the VAT receivable for which reimbursement had been requested, compared with €7 million in the first half of 2019; iii) a €9.8 million increase in current and non-current assets following the recognition of prepaid expense on the 14th-month salary payment for employees pertaining to following periods, an effect that in the first half of 2019 was offset by amounts received on projects funded at the European level and investment projects funded under the 2014-2020 NOP; iv) a decrease of €1.5 million in current and non-current liabilities, mainly due to a reduction compared with the year-earlier period in en-route and terminal collections in the first half of 2020 pertaining to the Italian Air Force and ENAC; and v) a decrease of €17.5 million in current and non-current trade payables, due both to a decline in payables for balances in the period and a reduction in payables to suppliers as a result of an increase in payments made in the first half of 2020 compared with the corresponding period of the previous year.

Cash flows from investing activities in the first half of 2020 absorbed liquidity in the amount of €42.2 million, up €10.1 million on the first half of 2019. The increase, with capital expenditure of €27.8 million, down €7 million on the year-earlier period, was due to an increase in payments to suppliers for investment projects for which activities and invoicing were concentrated in the final months of 2019.

Cash flows from financing activities in the first half of 2020 absorbed liquidity in the total amount of €118.7 million, an increase of €12.1 million on the first half of 2019. The rise was associated with the increase of €4.7 million in dividends paid compared with the year-earlier period and the payment of share capital with a share premium by UTM System & Services S.r.l. in D-Flight in the amount of €6.6 million in the first half of 2019.

Free cash flow was a negative €112.3 million, compared with a positive €74.9 million in the same period of 2019, reflecting the use of cash for operating and investment activities.

Human resources

At 30 June 2020 the ENAV Group workforce numbered 4,230 employees, an increase of 176 on the end of the first half of 2019, mainly reflecting the inclusion in the Group of IDS AirNav on 18 July 2019. The Group provides flight assistance services, operational system maintenance and AIM software solutions throughout the national territory, and is engaged in aeronautical consulting activities in Malaysia.

In response to the COVID-19 pandemic, the ENAV Group has developed a contingency plan to ensure the health of its operational personnel without impacting the continuity of service, creating alternating and interchangeable shifts, which are managed in complete safety. For all administrative staff, the company immediately activated flexible working arrangements and online communities to nurture the human relationship between colleagues. During this period, ENAV took the opportunity to complete the use of past and current holiday entitlement and at the same time to bring forward some of the mandatory training envisaged for operational employees. Finally, a specific task force was set up to monitor the progress of the health emergency and develop appropriate actions in the light of national and regional anti-COVID-19 legislation.

With regard to health and safety issues in the workplace, including construction sites, the Group complies with the provisions of the law and the measures issued by the competent authorities and entities (mainly the Ministry of Health and the National Institute of Health), adopting appropriate risk mitigation measures (e.g. the adoption of the "Protocol for regulatory measures to combat and contain the spread of the COVID-19 virus in the workplace") that are also monitored by specifically formed company territorial committees.

In general, all Group units are actively involved in monitoring the evolution of the COVID-19 emergency, focusing on the actual effects and risks connected with the pandemic and activating all remedial actions to preserve and guarantee the Group's operations.

Other information

2020 – 2024 performance plan

As regards the 2020-2024 reference period, the impact of the COVID-19 pandemic prompted EU regulators in March 2020 to reassess the process of approving the performance plans of European service providers (the "Plans"). In consideration of the events connected with the pandemic, the European Commission opted to postpone approval of the Plans, considering the assigned performance targets and economic plans presented to no longer be current, especially in light of actual and prospective traffic levels.

In July, the European Commission therefore proposed an amendment to the text of the EU Regulation on the performance and charging scheme (317/2019), including, among other things, a new timetable for the definition of new cost-efficiency targets and the presentation of performance plans for the 2020-2024 reference period, as well as a different mechanism for measuring balance revenues for 2020-2021 for European air navigation service providers. This new mechanism, which suspends the existing "traffic risk" system, establishes that the revenues from balance shall be measured on the basis of the determined costs for the supply of services. It also envisages that these costs shall be subject to specific efficiency targets.

Currently the proposed regulatory text is still under discussion, and it is expected that official publication of the cost performance targets will occur no earlier than May 2021. However, even in this context of uncertainty, the Commission has sought to provide some initial indications about the level of cost efficiency expected for the 2020-2021 period.

Based on the proposed regulations available at the end of the first half of the year, it is clear that the costs for the supply of services must be lower than the final figures for the year prior to that in which COVID-19 effects were felt.

Accordingly, given the new regulatory proposal, and taking account of the indications concerning the cost-efficiency targets, the technical units of ENAV and ENAC have formed a technical working group to assess the various technical aspects of the rules and identify a provisional level of costs in compliance with the proposed legislation.

On the basis of the national regulator's indications regarding the expected level of cost efficiency for 2020, ENAV has used the half-year data to measure balance revenues for the period on the basis of the agreed target.

Subsequently, ENAC sent a letter to the Ministry of Infrastructure and Transport highlighting problems with the European Commission's proposal and setting out an initial Italian proposal for the level of financial performance for the year 2020. The Ministry subsequently sent a summary note to the European Commissioner for Transport with the intention of achieving the positive and rapid assignment of performance targets by the European Commission.

On the basis of the national regulator's indications regarding the expected level of cost efficiency for 2020, ENAV adopted the position expressed by ENAC in determining the balance at 30 June 2020, setting the revenues from en-route and terminal services in the period against the determined costs for the same period in 2019, reduced to take account of an appropriate cost-efficiency target.

Purchase of treasury shares

The Shareholders' Meeting of 21 May 2020 authorised, subject to revocation of the unexecuted portion of the previous authorisation pursuant to the resolution of the Shareholders' Meeting of 27 April 2018, the Board of Directors to purchase and dispose of treasury shares of ENAV, in compliance with applicable regulations and for a period of eighteen months from the date of the resolution, for the following purposes: i) to implement the remuneration policies adopted by ENAV and specifically to satisfy the obligations deriving from share option programmes or other grants of shares to employees or members of the Company's administrative bodies and/or of companies directly or indirectly controlled by ENAV; and ii) to support market liquidity in accordance with the market practices permitted pursuant to Article 180, paragraph 1, letter c) of the Consolidated Law on Financial Intermediation. A maximum of 1,200,000 shares may be purchased.

At 30 June 2020, ENAV held 1,200,000 treasury shares equal to 0.22% of share capital with a value of €4,973 thousand, all of which were purchased in 2018.

Transactions with related parties

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

Related-party transactions conducted by the ENAV Group in the first half of 2020 essentially involved services that were provided as part of ordinary operations and settled on market terms and conditions, as described in more detail in Note 33 of the interim condensed consolidated financial statements.

In conformity with the provisions of Article 2391 bis of the Civil Code and in compliance with the principles set out in the Regulation containing provisions governing related-party transactions adopted with Consob resolution no. 17221 of 12 March 2010, as amended, the Parent Company established, with effect from the date of the admission of the company's shares to trading on the Mercato Telematico Azionario organised and operated by Borsa Italiana, a procedure governing related-party transactions approved by the Board of Directors on 21 June 2016 and subsequently updated, the most recent version of which was approved by the Board of Directors, having obtained the favourable opinion of the Control, Risks and Related-Parties Committee, on 12 December 2018. The procedure is available on the ENAV website www.enav.it in the Governance section in the company documents area.

During the first half of 2020, no transactions of greater importance as identified in Annex 1 of the related-party transaction procedure were carried out. In addition, no transactions were subject to disclosure obligations because they qualify as cases exempt under the procedure or transactions that had a significant impact on the consolidated financial position or the consolidated results of the ENAV Group for the period under review.

Risk management

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

An analysis of the most significant risks for the Group is provided below, taking due consideration of the impact of the coronavirus pandemic. For the analysis of purely financial risks, please see the explanatory notes of the consolidated financial statements at 31 December 2019. Certain additional information on liquidity risk is provided below.

At 30 June 2020, the ENAV Group held cash and cash equivalents of €218.3 million and financial instruments of €25 million, as well as unused credit lines with a total value of €297.5 million. These include: i) revocable uncommitted credit lines of €147.5 million that do not require compliance with covenants or other contractual commitments, of which €25.5 million in the form of current account overdrafts, €107 million of financial advances that can be used without any restrictions on use and €15 million in export finance; and ii) two committed credit lines obtained in May 2020 in the total amount of €150 million, expiring in May 2022. At 30 June 2020, the Group had a long-term credit line of €70 million with the European Investment Bank. That credit line was drawn in full on 12 August 2020.

Safety

The prevention and containment of the risks associated with the provision of our core business activities is a primary objective of the ENAV Group. The level of operational safety of air navigation services is an indispensable priority for ENAV, which in pursuing its institutional objectives reconciles the interdependencies of the various performance areas with achievement of pre-eminent safety objectives. Safety performance is monitored through dedicated organisational arrangements and we have developed and operate a specific Safety Management System, approved and validated by ENAC as part of its surveillance of the certification of ENAV as an Air Navigation Service Provider.

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

Image & reputation

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

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

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

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

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

Business Continuity

The Group has developed specific business continuity plans, defining appropriate procedures to be applied in the case of events that cause a significant deterioration or interruption of services, in order to preserve continuity in various possible emergency scenarios. The availability of operational personnel is ensured on a continuous basis, putting this staff through periodic training programmes in order to maintain their required professional qualifications, while also guaranteeing the necessary availability of technology systems with specific functional redundancies and an extensive maintenance plan for all systems and equipment supporting air navigation services. The service level of systems is also supported by specific investments designed to enhance the reliability, availability, safety and efficiency of systems and equipment.

Information security

Information security is an essential element in the provision of air navigation services.
Information security is managed by a dedicated organisational structure, with the implementation and maintenance of an Information Security Management System certified in accordance with the ISO/IEC 27001 standard.
The confidentiality, integrity and availability of operational and corporate information are constantly monitored and guaranteed through a complex architecture of physical and logical security controls as well as internal rules and procedures. Additional security is provided through coordination with the competent civil and military authorities for the protection of operational data, in particular in the context of the National Plan for Cyber Protection and IT Security, and collaborative initiatives with the Italy’s CSIRT (Computer Security Incident Response Team) and CNAIPIC (National IT Crime Centre for the Protection of Critical Infrastructure).

Market abuse

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

Compliance

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

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

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

With this in mind, work began on the development of the Group's Environmental Management System, which is UNI EN ISO 14001 compliant. Its foundation is the environmental policy approved by the CEO. The environmental policy guidelines include the consolidation of the benefits related to atmospheric CO_2 emissions by carriers through the Flight Efficiency Plan (FEP), the adoption of green procurement processes through the application of minimum environmental criteria in procurement policies, the rational use of energy including moving towards renewable energy, and the dissemination of a culture of environmental protection among our employees through staff awareness and training projects.

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

Health & Safety

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

The governance of these management systems, together with centralised monitoring of the Group Prevention and Protection Department, ensures ongoing compliance with applicable regulations. Similarly, workplace health and safety training activities and the health surveillance of Group personnel are managed centrally by the same unit.

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

Institutional relations

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

Human capital

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

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

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

Outlook for operations

In July and August 2020 there was a significant increase in traffic volumes, such that in mid-September the decline compared with the corresponding period of 2019 was around 56.8%.

This development also involved Italy, where the figure for flights as at 15 September 2020 showed a decrease of 60.6% compared with 2019. The contraction in traffic volumes has generally stabilised at values ranging from -55% and -60%, presumably reflecting a state of general uncertainty about the possible resurgence of the pandemic and a consequent tightening of the measures for containing its spread.

As for the coming months, at the moment it remains difficult to predict how and when air traffic will return to normal operations, but it is most likely that the final part of 2020 and the initial months of next year will still be characterised by a reduction of 40% to 50% in traffic volumes compared with those handled prior to COVID-19. Eurocontrol's publication on 14 September 2020 of an assessment of air traffic conditions in Europe and the possible trend in the coming months confirms this forecast. Although the data are at the overall European level, the analysis provides a useful guideline for understanding traffic developments in Italy in the coming months. In particular, the monthly estimate points to decreases of 57% and 58% in October and November and 60% and 50% in January and February 2021 compared with the same period of the previous year.

The next few months will therefore be especially important for ENAV and the Group companies, not only due to the expected traffic volumes, but also the expected approval of the amendments to the EU charging scheme.

In this context, Eurocontrol should provide traffic forecasts for each individual country by December 2020, on the basis of which the member countries will be asked to submit their initial cost and traffic estimates for the 2020-2024 reference period (the third reference period). These first estimates will provide the European Commission with a foundation to define the financial performance targets, which will presumably be announced in May 2021.

Pending the developments discussed above, the Group expects to continue containing costs in line with the trend delineated in the interim report as at 30 June 2020.

During the second half of 2020, the deferral of the collection of en-route and terminal charges granted by Eurocontrol to airlines will come to an end with a simultaneous improvement in cash flows, which are showing signs of recovery. It will therefore be important to monitor developments in traffic, and the related collections, in the coming months in order to assess whether outward cash flows are being covered and/or the need to draw on part of the available credit lines.

Investment activities, which were partly suspended following the lockdown, underwent a review that determined it was not currently necessary to reduce investments over the plan period, but only to defer spending while retaining the five-year objectives of the business plan. Investment is therefore expected to amount to around €80 million in 2020, compared with the €120 million initially envisaged.

Interim Condensed Consolidated Financial Statements at 30 June 2020

Consolidated Financial Statements

Consolidated Interim Statement of Financial Position

ASSETS

(euros)	Notes	30.06.2020	of which related parties (Notes 33)	31.12.2019	of which related parties (Notes 33)
Non-current assets					
Property, plant and equipment	7	945,315,096	0	985,129,430	0
Intangible assets	8	169,101,165	0	171,567,343	0
Investments in other entities	9	64,258,468	0	63,225,238	0
Non-current financial assets	10	11,126,987	10,658,113	11,090,188	10,658,113
Deferred tax assets	11	19,901,251	0	16,683,396	0
Non-current tax receivables	12	24,858,353	0	24,858,353	0
Non-current trade receivables	13	203,566,503	0	9,612,495	0
Other non-current assets	15	15,738,213	15,738,213	16,343,893	16,343,893
Total non-current assets		**1,453,866,036**		**1,298,510,336**	
Current assets					
Inventories	14	61,301,109	0	60,690,528	0
Current trade receivables	13	169,560,112	50,529,340	213,321,419	42,798,524
Current financial assets	10	25,027,878	0	24,976,671	0
Tax receivables	12	5,866,864	0	14,804,176	0
Other current assets	15	58,545,289	31,005,410	48,114,091	32,977,328
Cash and cash equivalents	16	218,255,012	1,073,873	449,268,346	534,846
Total current assets		**538,556,264**		**811,175,231**	
Assets held for sale	17	1,438,952		1,443,517	
Total assets		**1,993,861,252**		**2,111,129,084**	

SHAREHOLDERS' EQUITY AND LIABILITIES

(euros)	Notes	30.06.2020	of which related parties (Note 33)	31.12.2019	of which related parties (Note 33)
Shareholders' equity					
Share capital	**18**	541,744,385	0	541,744,385	0
Reserves	**18**	480,334,383	0	473,373,561	0
Retained earnings/(loss carryforward)	**18**	19,640,891	0	19,992,565	0
Profit (loss) for the period	**18**	15,719,871	0	118,432,376	0
Total shareholders' equity pertaining to shareholders of the Parent Company	**18**	**1,057,439,530**	**0**	**1,153,542,887**	**0**
Non-controlling interests and reserves		2,499,765	0	2,664,000	0
Profit/(loss) pertaining to non-controlling interests		(84,633)	0	(164,235)	0
Total shareholders' equity pertaining to non-controlling interests		**2,415,132**	**0**	**2,499,765**	**0**
Total shareholders' equity	**18**	**1,059,854,662**		**1,156,042,652**	
Non-current liabilities					
Provisions for risks and charges	**19**	1,236,200	0	991,200	0
Severance pay and other employee benefits	**20**	50,551,084	0	52,509,423	0
Deferred tax liabilities	**11**	9,220,183	0	9,308,909	0
Non-current financial liabilities	**21**	322,921,269	0	330,784,071	0
Non-current trade payables	**22**	26,744,148	0	49,416,977	0
Other non-current liabilities	**23**	170,315,708	0	176,549,910	0
Total non-current liabilities		**580,988,592**		**619,560,490**	
Current liabilities					
Short-term portion of provisions for risks and charges	**19**	580,200	0	786,823	0
Current trade payables	**22**	129,364,431	5,888,455	138,754,198	18,303,236
Tax and social security payables	**24**	56,459,443	0	35,945,970	0
Current financial liabilities	**21**	19,032,455	0	17,169,674	-
Other current liabilities	**23**	147,543,958	79,934,678	142,828,020	77,515,432
Total current liabilities		**352,980,487**		**335,484,685**	
Liabilities directly associated with assets held for disposal	**17**	37,511		41,257	
Total liabilities		**934,006,590**		**955,086,432**	
Total shareholders' equity and liabilities		**1,993,861,252**		**2,111,129,084**	

Consolidated Interim Income Statement

(euros)	Notes	1st Half 2020	of which related parties (Note 33)	1st Half 2019	of which related parties (Note 33)
Revenues					
Revenues from operations	**25**	164,481,857	4,970,184	429,244,259	6,210,566
Balance	**25**	191,432,221	0	(29,813,659)	0
Total revenues from contracts with customers	***25***	*355,914,078*		*399,430,600*	
Other operating income	**26**	20,941,539	17,351,850	22,562,682	17,985,782
Total revenues		**376,855,617**		**421,993,282**	
Costs					
Costs for raw materials, supplies, consumables and goods	**27**	(3,245,170)	0	(3,720,516)	(249,181)
Costs for services	**27**	(56,315,826)	(4,304,569)	(60,038,533)	(3,811,848)
Personnel costs	**28**	(235,235,479)	0	(249,175,532)	0
Costs leases and rentals	**27**	(1,074,824)	(22,846)	(975,744)	(1,875)
Other operating expenses	**27**	(1,837,479)	0	(1,328,931)	0
Capitalisation of costs	**29**	13,239,090	0	12,979,525	0
Total costs		**(284,469,688)**		**(302,259,731)**	
Depreciation and amortisation	**7 e 8**	(69,592,885)	0	(69,566,912)	0
Writedowns/(writebacks) for impairment of receivables	**13**	(2,195,289)	0	(733,978)	0
Writedowns/(writebacks) for impairment of property, plant and equipment and intangible assets	**7**	0	0	0	0
Provisions	**19**	(115,000)	0	138,277	0
Operating income		**20,482,755**		**49,570,938**	
Financial income and expense					
Financial income	**30**	1,030,320	0	1,273,875	0
Financial expense	**30**	(3,479,846)	0	(3,900,078)	(16,867)
Exchange rate gains (losses)	**30**	(88,053)	0	16,710	0
Total financial income and expense		**(2,537,579)**		**(2,609,493)**	
Income before taxes		**17,945,176**		**46,961,445**	
Income taxes	**31**	(2,309,938)		(12,838,399)	
Profit (loss) for the period		**15,635,238**		**34,123,046**	
Pertaining to shareholders of the Parent Company		*15,719,871*		*34,170,198*	
Pertaining to non-controlling interests		*(84,633)*		*(47,152)*	
Basic earnings/(loss) per share	**38**	0.03		0.06	
Diluted earnings/(loss) per share	**38**	0.03		0.06	

Consolidated Interim Statement of Other Comprehensive Income

(euros)	Notes	1st Half 2020	1st Half 2019
Profit (loss) for the period	**18**	**15,635,238**	**34,123,046**
Other comprehensive income recyclable to profit/(loss):			
- Differences arising from the translation of foreign financial statements	18	(12,726)	340,277
- Fair value of derivative financial instruments	10 and 18	84,028	(8,251)
- Tax effect of the valuation at fair value of derivative financial instruments	11 and 18	(20,167)	1,980
Total other comprehensive income recyclable to profit or loss		**51,135**	**334,006**
Other comprehensive income not recyclable to profit or loss:			
- Fair value measurement of investments in other entities	9	858,203	2,545,413
- Actuarial gains/(losses) on employee benefits	18 and 20	47,842	(3,740,371)
- Tax effect of actuarial gains/(losses) on employee benefits	11 and 18	(191,667)	363,152
Other comprehensive income not recyclable to profit or loss		**714,378**	**(831,806)**
Comprehensive income		**16,400,751**	**33,625,246**
Pertaining to shareholders of the Parent Company		16,485,384	33,672,398
Pertaining to non-controlling interests		(84,633)	(47,152)

Consolidated Interim Statement of Changes in Shareholders' Equity

		Reserves									
(euros)	Share capital	Legal reserve	Sundry reserves	Reserve from actuarial gains/(losses) for employee benefits	Cash flow hedges	Total reserves	Retained earnings/(loss carryforward)	Profit (loss) for the period	Total shareholders' equity	Non-controlling interests	Total shareholders' equity
Balance at 31 December 2018	**541,744,385**	**26,663,066**	**443,029,212**	**(9,086,080)**	**1,957,176**	**462,563,374**	**18,860,841**	**114,390,115**	**1,137,558,715**	**0**	**1,137,558,715**
Adoption of new standards	0	0	0	0	0	0	(110,885)	0	(110,885)	0	(110,885)
Balance at 1 January 2019	**541,744,385**	**26,663,066**	**443,029,212**	**(9,086,080)**	**1,957,176**	**462,563,374**	**18,749,956**	**114,390,115**	**1,137,447,830**	**0**	**1,137,447,830**
Allocation of net profit from the previous year	0	5,146,738	0	0	0	5,146,738	109,243,377	(114,390,115)	0	0	0
Dividend distribution	0	0	0	0	0	0	(108,000,768)	0	(108,000,768)	0	(108,000,768)
Purchase of Treasury shares	0	0	0	0	0	0	0	0	0	0	0
Currency translation difference reserve	0	0	340,277	0	0	340,277	0	0	340,277	0	340,277
Long-Term Incentive Plan	0	0	529,541	0	0	529,541	0	0	529,541	0	529,541
Disposal of interests to third parties	0	0	3,946,000	0	0	3,946,000	0	0	3,946,000	2,664,000	6,610,000
Comprehensive income, of which:											
- Profit (loss) recognised directly in equity	0	0	2,010,876	(2,842,682)	(6,271)	(838,077)	0	0	(838,077)	0	(838,077)
- Profit (loss) for the year	0	0	0	0	0	0	0	34,170,198	34,170,198	(47,152)	34,123,046
Balance at 30 June 2019	**541,744,385**	**31,809,804**	**449,855,906**	**(11,928,762)**	**1,950,905**	**471,687,853**	**19,992,565**	**34,170,198**	**1,067,595,001**	**2,616,848**	**1,070,211,849**
Balance at 31 December 2019	**541,744,385**	**31,809,804**	**450,743,646**	**(11,209,831)**	**2,029,942**	**473,373,561**	**19,992,565**	**118,432,376**	**1,153,542,887**	**2,499,765**	**1,156,042,652**
Allocation of net profit from the previous year	0	5,594,056	0	0	0	5,594,056	112,838,320	(118,432,376)	0	0	0
Dividend distribution	0	0	0	0	0	0	(113,189,994)	0	(113,189,994)	0	(113,189,994)
Purchase of Treasury shares	0	0	0	0	0	0	0	0	0	0	0
Currency translation difference reserve	0	0	(12,726)	0	0	(12,726)	0	0	(12,726)	0	(12,726)
Long-Term Incentive Plan	0	0	604,100	0	0	604,100	0	0	604,100	0	604,100
Change in scope of consolidation	0	0	(2,847)	0	0	(2,847)	0	0	(2,847)	0	(2,847)
Comprehensive income, of which:											
- Profit (loss) recognised directly in equity	0	0	678,018	36,360	63,861	778,239	0	0	778,239	0	778,239
- Profit (loss) for the year	0	0	0	0	0	0	0	15,719,871	15,719,871	(84,633)	15,635,238
Balance at 30 June 2020	**541,744,385**	**37,403,860**	**452,010,191**	**(11,173,471)**	**2,093,803**	**480,334,383**	**19,640,891**	**15,719,871**	**1,057,439,530**	**2,415,132**	**1,059,854,662**

Consolidated Interim Statement of Cash Flows

	(thousands of euros)	Notes	1st Half 2020	of which related parties	1st Half 2019	of which related parties
A -	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (*)**	**16**	**450,657**		**317,716**	
	Net cash flow generated/(absorbed) from operating activities					
	Profit (loss) for the period	**18**	15,635	0	34,123	0
	Depreciation and amortisation	**7 and 8**	69,593	0	69,567	0
	Net change in liabilities for employee benefits	**20**	(1,910)	0	(1,629)	0
	Change resulting from exchange rate differences	**18**	(193)	0	(12)	0
	Loss on sale of property, plant and equipment and impairment loss of property, plant and equipment and intangible assets	**7 e 8**	10	0	0	0
	Other income/charges on non-monetary flows	**7**	(2)	0	0	0
	Provision for stock grant plans	**28**	604	0	530	0
	Net provisions for risks and charges	**19**	115	0	(138)	0
	Net change in deferred tax assets and deferred tax liabilities	**11**	(3,518)	0	(222)	0
	Decrease/(increase) in inventories	**14**	(156)	0	15	0
	Decrease/(increase) in current and non-current trade receivables	**13**	(150,944)	(7,730)	(25,323)	(7,966)
	Decrease/(increase) in tax receivables and tax and social security payables	**12 and 24**	29,451	0	31,831	0
	Change in other current assets and liabilities	**15 and 23**	(5,694)	4,392	25,496	18,278
	Change in other non-current assets and liabilities	**23**	(5,599)	606	(11,853)	5,762
	Increase/(decrease) in current and non-current trade payables	**22**	(17,550)	679	(15,429)	458
B -	**TOTAL CASH FLOW FROM OPERATING ACTIVITIES**		**(70,158)**		**106,956**	
	of which taxes paid		(3,801)	0	(8,522)	0
	of which interest paid		(601)	0	(85)	0
	Net cash flow generated/(absorbed) from investing activities					
	Investments in property, plant and equipment	**7**	(23,743)	0	(29,501)	0
	Investments in intangible assets	**8**	(4,041)	0	(5,268)	0
	Increase/(decrease) in trade payables for investments	**22**	(14,593)	(13,094)	1,964	(11,486)
	Sales of property, plant and equipment	**7**	0	0	0	0
	Decrease/(increase) in trade receivables for investments	**13**	750	0	750	0
	Investments in other shares	**9**	0	0	0	0
	Increase/(decrease) in trade payables for equity investments	**9**	(551)	0	0	0
	Investments in financial assets	**10**	0	0	0	0
C -	**TOTAL CASH FLOW FROM INVESTING ACTIVITIES**		**(42,178)**		**(32,055)**	
	Net cash flow generated/(absorbed) from financing activities					
	New medium and long term loans	**21**	0	0	0	0
	(Repayments) of medium and long term loans	**21**	(6,755)	0	(6,693)	0
	Net change in short-term financial liabilities	**21**	(982)	0	0	0
	Bond issue	**21**	0	0	0	0
	Net change in short-term financial liabilities	**21**	1,736	0	620	0
	(Increase)/Decrease in current financial assets	**10**	0	0	(7)	0
	(Increase)/Decrease in non-current financial assets	**10**	(32)	0	793	0
	Purchase of Treasury shares	**18**	0	0	0	0
	Change in Capital	**18**	0	0	6,610	0
	Dividend distribution	**18**	(112,658)	(60,024)	(107,913)	(57,670)
D -	**TOTAL CASH FLOW FROM FINANCING ACTIVITIES**		**(118,691)**		**(106,590)**	
E -	**Total cash flow (B+C+D)**		**(231,027)**		**(31,689)**	
F -	**Exchange rate differences on cash**		10		**20**	
G -	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+E+F) (**)**	**16**	**219,640**		**286,047**	

(*) Cash and cash equivalents at the beginning of 2020 and at the end of the period include €1,389 thousand and €1,384 thousand, respectively, of the liquidity of Sicta Consortium in liquidation, reclassified as part of assets held for sale.

Explanatory Notes to the Interim Condensed Consolidated Financial Statements

1. General information

ENAV S.p.A. (hereinafter also the “Company” or “Parent Company”) was established in 2001 following the transformation with Law 665/1996 of the “Ente Pubblico Economico denominato Ente Nazionale di Assistenza al Volo” (the National Agency for Flight Assistance), a public enterprise, that was formerly known as the “‘Azienda Autonoma di Assistenza al Volo per il Traffico Aereo Generale” (A.A.A.V.T.A.G.) (Autonomous Company providing Flight Assistance for General Traffic) and has its registered office in Rome, 716 via Salaria and other secondary offices and operating facilities located throughout Italy.

Since 26 July 2016, ENAV shares have been listed on the Mercato Telematico Azionario (MTA) organised and operated by Borsa Italiana S.p.A. and, at 30 June 2020, 53.28% of the Company was owned by the Ministry for the Economy and Finance (MEF) and 46.50% by institutional and individual shareholders, with 0.22% being held by ENAV itself as treasury shares.

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

These interim condensed consolidated financial statements regard the six months ending 30 June 2020 and have been prepared in euros, the legal tender in the economy in which the Group operates.

Publication of this Consolidated Interim Financial Report was authorised by the Board of Directors on 29 September 2020 and it has undergone a limited review by EY S.p.A.

2. Form and content of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements at 30 June 2020 of ENAV S.p.A. and its subsidiaries (hereinafter also the “Group”) have been prepared in conformity with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations (IFRIC and SIC), endorsed by the European Union in accordance with the provisions of Regulation (EC) No. 1606/2002 as well as Legislative Decree 38 of 28 February 2005, which governed the application of the IFRS under the scope of Italian law, and published up to 29 September 2020, the date on which the Board of Directors of ENAV S.p.A. approved the Interim Financial Report.

In particular, these financial statements, which have been drafted on a going-concern basis, have been prepared in compliance with IAS 34 *Interim Financial Reporting* and Article 154-ter paragraph 3 of the Consolidated Law on Financial Intermediation. In application of the option granted by IAS 34, the disclosures contained in the interim condensed consolidated financial statements are less complete than those provided in complete annual financial statements, as they are aimed at providing an update on the activities, facts and circumstances that occurred in the reference period as well as some minimum supplementary information expressly requested by the standard, thus omitting information, data and notes already presented and discussed in the consolidated financial statements of the ENAV Group as at 31 December 2019. Accordingly, the interim condensed consolidated financial statements at 30 June 2020 should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019, which readers are invited to consult for a more complete understanding of the information reported in this document.

Note that the ENAV Group has designated the first half of the year as the interim reference period for the purpose of applying IAS 34 and the definition of interim financial statements.

With regard to the method for presenting the financial statements, the distinction between current and non-current assets and liabilities has been adopted for the *statement of financial position*. The *income statement* was prepared by classifying operating costs by nature and the *cash flow statement* has been prepared using the indirect method.

In compliance with the provisions of Consob Resolution no. 15519 of 27 July 2006, the statement of financial position, the income statement and the cash flow statement report the value of positions or transactions with related parties in order to ensure an understanding of the financial position, performance and cash flows.

3. Scope and basis of consolidation

The basis of consolidation adopted in preparing the interim condensed consolidated financial statements at 30 June 2020 is consistent with that adopted in preparing the consolidated financial statements at 31 December 2019, approved on 12 March 2020 and available at www.enav.it in the section https://www.enav.it/sites/public/en/InvestorRelations/Financial-Statements-and-Reports.html.

In the first half of 2020 the scope of consolidation changed compared with 31 December 2019 due to the consolidation as from 2 January 2020 of ENAV España Control Aereo S.L.U., a non-operational company, following the acquisition of 100% of that company's share capital by the Parent Company in order to participate in a tender launched by the Spanish airport operator.

With regard to the income statement, note that the balance for the first half of 2019 do not contain the figures for IDS AirNav, which entered the scope of consolidation with effect from 18 July 2019.

There were no significant transactions or unusual events in the first half of 2020.

Translation of financial statements of foreign companies

The interim statements of financial position and income statements of subsidiaries are prepared using the currency of the primary economic environment in which they operate. For the purpose of the interim condensed consolidated financial statements, the statement of financial position and income statement of each foreign company are translated into euros, which is the Group's functional currency. The exchange rates used to translate the statements of financial position and income statements of companies that use a functional currency other than the euro are shown in the table below:

	1st Half 2020		31.12.2019		1st Half 2019	
	6-month average	at 30 June	12-month average	at 31 December	6-month average	at 30 June
Malaysian ringgit	4.6829	4.7989	4.6371	4.5953	4.6539	4.7082
US dollar	1.1015	1.1198	1.1196	1.1234	1.1298	1.1380

4. New accounting standards and interpretations

The accounting standards adopted in the preparation of the interim condensed consolidated financial statements at 30 June 2020 are consistent with those used for the preparation of the consolidated financial statements at 31 December 2019, which readers are invited to consult for a more extensive discussion, with the exception of the adoption of new standards, amendments and interpretations in force as from 1 January 2020. The Group has not opted for early adoption of any new standard, amendment or interpretation issued but not yet in force.

New accounting standards, interpretations and amendments taking effect as from 1 January 2020 that did not have an impact on the Group's interim condensed consolidated financial statements

The following is a list of the new accounting standards, amendments and interpretations applicable to the Group as from 1 January 2020 with no impact on the Group's interim condensed consolidated financial statements:

- ✓ *Amendment to references to the conceptual framework in IFRS standards* – issued on 29 March 2018 and endorsed on 29 November 2019. The new IFRS conceptual framework replaces the framework issued in 1989, already partly revised in 2010. This update does not amend existing standards and interpretations, but rather introduces cross-cutting definitions to various standards, guidance and parameters with regard to the concepts of measurement, presentation and disclosure and derecognition. In addition, the amendment of the conceptual framework updated the definitions of assets and liabilities and their recognition criteria and clarified the general criteria for the preparation of financial statements for IFRS adopters, with special reference to the concepts of prudence, stewardship, measurement uncertainty, and substance over form.

- ✓ *Amendment to IAS 1 and IAS 8: Definition of material* – issued on 31 October 2018 and endorsed on 29 November 2019. The amendments to the standards introduce a new definition of materiality, under which information is material if omitting, misstating or obscuring it could reasonably be expected to influence the financial decisions that stakeholders take on the basis of that information. The concept of materiality depends on both the nature and magnitude of the information.
- ✓ *Amendment to IFRS 3 Business combinations* – issued on 22 October 2018 and endorsed on 21 April 2020. The amendments to the standard mainly regard the definition of business, in order to support entities in identifying the demarcation line between business combination and acquisition of a group of assets. More specifically, the amendments: a) clarify that a business must include at least an input and a substantive process that together significantly contribute to the ability to create outputs; b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments to IFRS 3 have been prompted by the commitment to achieve a desirable convergence between FASB and IASB and to make financial disclosures prepared with the different reporting flows comparable.
- ✓ *Amendment to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform,* issued on 26 September 2019 and endorsed on 15 January 2020. The amendments concern issues affecting financial reporting in the periods preceding the replacement of an existing benchmark index with an alternative interest rate. These amendments provide guidance about the highly probable and forward-looking assessments required by IFRS 9 and IAS 39 for hedging relationships which are impacted by the uncertainties of the IBOR reform. For the same reason, the amendments provide indications concerning retrospective assessment in accordance with IAS 39. The exceptions described in the amendments only apply to hedging relationships directly affected by the uncertainties of the IBOR reform.

New accounting standards, interpretations and amendments taking effect for periods after 31 December 2020 and not adopted early by the Group

The following is a list of new accounting standards, amendments and interpretations that will be applied by the Group in annual accounting periods after that ending 31 December 2020:

- ✓ *Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions,* issued on 28 May 2020, endorsement pending. The IASB issued amendment in order to simplify the accounting treatment of the impacts associated with the COVID-19 emergency for lessees in the event of temporary reductions in rental payments on leased assets. In particular, the amendment exempts lessees from considering whether rent concessions obtained as a consequence of the COVID -19 pandemic represent a lease modification or not, and therefore allows lessees to account for such concessions as if they do not represent a modification of the lease. The amendments apply to rent concessions granted as a result of the current global pandemic if the concessions result in a reduction in payments due on leases before 30 June 2021.

  The amendment will take effect, subject to endorsement, as from 1 June 2020.
- ✓ *Amendment to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements,* issued on 14 May 2020, endorsement pending. This package of amendments represents an attempt to reformulate certain concepts common to the various standards. More specifically:
  - the amendments to IFRS 3 *Business Combinations* update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;
  - the amendments to IAS 16 *Property, plant and equipment*, prohibit a company from deducting from the cost of property, plant and equipment any amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss;
  - the amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* specify which costs a company includes when assessing whether a contract will be loss-making;
  - the *Annual Improvements* make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

  All of these amendments will take effect, subject to endorsement, as from 1 January 2022.
- ✓ *Amendment to IAS 1 - Presentation of Financial Statements - Clarification of Liabilities as Current or Non-Current,* issued on 23 January 2020. The amendments clarify the requirements for classifying liabilities as current or non-current. More specifically:

- the conditions at the end of the reference period are those that should be used to determine if there is a right to defer settlement of a liability;
- classification is unaffected by management's expectations concerning events after the reporting date, for example, in the case of breach of an agreement or early settlement;
- it clarifies the circumstances that represent settlement of a liability.

The amendments will take effect, subject to endorsement, as from 1 January 2023.

✓ *Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – Phase 2*, issued on 27 August 2020. The Board has issued a number of amendments that supplement those issued in 2019, focussing on the effects of the interest rate benchmark reform on an entity's balance sheet, which occurs when, for example, a benchmark interest rate used to calculate interest on a financial asset is replaced with an alternative benchmark rate. The amendments for phase 2 address issues that could affect financial reporting when changing the interest rate benchmark, including the effects of changes in contractual cash flows or hedging relationships resulting from the replacement of one rate with an alternative rate (replacement issue). In 2019, the Board published a number of amendments as part of phase 1 of the project. The objectives of phase 2 are to assist entities in: i) the application of IFRS when changes occur in contractual cash flows or hedging relationships due to the interest rate reform; and ii) provide information helpful to the users of financial statements.
The amendment is expected to be endorsed in the last quarter of 2020. The changes will take effect, subject to endorsement, as from 1 January 2021.

5. Use of estimates and management judgements connected with the COVID-19 pandemic

With regard to the description of the use of accounting estimates and management judgments, please see the Annual Report at 31 December 2019, noting that they have been analysed in order to verify the impacts associated with the COVID-19 pandemic, the results of which are reported below.

In compliance with the ESMA recommendations published in March, May and July 2020 and the Consob warning notices no. 6/20 of 9 April 2020 and no. 8/20 of 16 July 2020 concerning the impact of the COVID-10 emergency, the Interim Financial Report at 30 June 2020 provides an update of disclosures and the impact on operations, the financial position and the performance of the Group as at 30 June 2020. As regards the impact on the income statement, please see the discussion in the Interim Report on Operations of the Group's performance and the section "*The impact of COVID-19 on performance".*

The areas of the financial statements that, based on the information available as at 30 June 2020 and bearing in mind the constantly evolving scenario, are most affected by estimates and judgments are the following:

- **measurement of non-current assets**: the assessments concerning evidence of impairment and the methods and assumptions used to estimate the recoverable value of these assets pursuant to IAS 36, including sensitivity analyses, confirm the full recoverability at 30 June 2020 of the values of the cash generating units (CGUs), which, accordingly, have not suffered a reduction in value due to COVID-19. Please see note 8 for further details;
- **measurement of current assets**: in order to take account of the effects of COVID-19 on the impairment of trade receivables, the impairment model adopted by the Group has been specifically updated based on the deterioration in the credit standing of a basket of representative companies in the air transport sector. This prompted the recognition of certain writedowns identified on the basis of the available information;
- **recognition of en-route and terminal balance for the period**: following the COVID-19 pandemic and the significant impact it has had on the air transport industry, the European Commission has proposed the adoption of exceptional measures for the years 2020 and 2021 in the third reference period (RP3) applying to EU service providers, with an impact on the charging scheme. The proposal, which is still under discussion and could be amended, would suspend the traffic risk recovery mechanism, establishing that revenues from balance would be measured on the basis of the determined costs for the provision of services and subject to specific efficiency targets. Final approval of the RP3 performance plans has also been postponed to 2021, after the determination of the new cost-efficiency targets. Although the charges for 2020 and 2021 were already presented in October 2019, before the COVID-19 epidemic, in view of the indications provided by the European Commission it is reasonable to presume that charges will be revised both on the basis of actual traffic volumes compared with forecast levels and the cost targets to be set for the 2020-2021 reference period. More specifically, 2020 and 2021 will be considered as a single period, for which an average determined unit cost (DUC) will presumably be calculated based on the revised total determined costs and on new traffic forecasts for 2020-2021. The treatment of 2020-2021 as a single period for regulatory purposes also implies that the traffic balance generated in this period will be recovered in charges applied for a period of 5 years starting in 2023, a period that can be extended up to 7 years at the request of the individual national regulators.

  The information necessary to definitively calculate the adjustment of balance is not yet available, as it is still in the process of being determined under the guidance of the European Commission.

  As part of its prerogatives, the national regulator, ENAC, has identified and notified the Ministry of Infrastructure and Transport and the European Commission of the adoption of a mechanism for determining balance based on actual costs for 2019, reduced by an appropriate percentage representing the efficiency gains that can reasonably be required from service providers.

At 30 June 2020, following an process of estimation that by its very nature and in the light of the above considerations is subject to uncertainty, the directors decided to adopt the position expressed by ENAC in determining the adjustment of balance at 30 June 2020 by setting revenues from en-route and terminal services in the first half of 2020 against the determined costs for 2019, reduced to take account of an appropriate cost-efficiency target. This balance will be settled over a period of five years, starting from 2023, in accordance with the proposal of the European Commission. The judgement exercised by management, although affected by significant uncertainty connected with the circumstances discussed earlier that could produce changes in the amounts quantified, is based on the most reliable information available to date to estimate the balance component at 30 June 2020.

6. Seasonal effects

The type of business in which the Parent Company operates is affected by seasonal effects. Trends in air traffic are by nature not distributed linearly over the year. More specifically, passenger traffic fluctuates significantly depending on the time of year, reflecting changes in tourist flows.

In particular, en-route and terminal revenues peak in the summer months. As a result the interim performance of the Group does not contribute uniformly to performance and financial position for the year as a whole.

Explanatory notes to the interim consolidated statement of financial position

7. Property, plant and equipment

The table below shows changes in property, plant and equipment at 30 June 2020 compared with the end of 2019.

(thousands of euros)	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
Cost	544,223	1,952,605	318,585	318,098	198,106	3,331,617
Accumulated depreciation	(241,744)	(1,539,583)	(270,651)	(294,510)	0	(2,346,488)
Balance at 31.12.2019	**302,479**	**413,022**	**47,934**	**23,588**	**198,106**	**985,129**
Increases	4,750	14,902	973	2,144	23,743	46,512
Disposals - cost	(40)	0	0	(634)	0	(674)
Disposals - accumulated depreciation	40	0	0	624	0	664
Reclassification	(17)	0	0	11	(23,233)	(23,239)
Depreciation	(10,338)	(43,336)	(5,683)	(3,720)	0	(63,077)
Total changes	**(5,605)**	**(28,434)**	**(4,710)**	**(1,575)**	**510**	**(39,814)**
Cost	548,908	1,967,507	319,558	319,627	198,616	3,354,216
Accumulated depreciation	(252,034)	(1,582,919)	(276,334)	(297,614)	0	(2,408,901)
Balance at 30.06.2020	**296,874**	**384,588**	**43,224**	**22,013**	**198,616**	**945,315**

Property, plant and equipment in the first half of 2020 decreased by a net €39,814 thousand, reflecting:

- depreciation for the period of €63,077 thousand (€64,996 thousand at 30 June 2019), of which €1,085 thousand regarding rights of use (€1,148 thousand at 30 June 2019);
- an increase in property, plant and equipment of €46,512 thousand, of which €22,769 thousand relating to investments that entered service during the period. This included: i) the construction of the new technical and office facilities for the Genoa Airport; ii) the multilateration system for the Bergamo Orio al Serio and Venice Tessera airports; iii) the technology upgrading of the operational room and services LAN of the Padua Area Control Centre; iv) the upgrade of meteorological systems at the Pantelleria, Bolzano and Rome Urbe airports to the ICAO 74 amendment; v) the implementation of security via audio over IP at various remote sites; and vi) the modernisation of the ILS radio aid system at the Brindisi airport. Increases of €23,743 thousand refer to progress on assets under construction as part of investment projects, including: i) the 4-Flight programme, whose objective is to develop the entire Air Traffic Management (ATM) technology platform of the ACCs based on SESAR operational concepts and taking the Coflight system as a basic component; ii) the automation programme for the operation of control towers towards full electronic management; and iii) evolutionary maintenance of various systems.

- the decrease in property, plant and equipment due to reclassifications totalling €23,239 thousand, mainly regarding investment projects that were completed and entered service during the period, with classification to a specific account, amounting to €22,769 thousand, as well as €454 thousand for the reclassification of certain components of operating systems in inventories for replacement parts.

Note that part of the investments, with a historical cost of €270.3 million, are financed by capital grants disbursed under the National Operational Programme (NOP) for Transport for the years 2000-2006 and 2007-2013 for initiatives at southern airports, grants from the Ministry of Infrastructure and Transport for investments in military airports, in accordance with Law 102/09 and projects financed at the European level. The capital grants for these investments are accounted for as other liabilities and reversed to profit or loss in line with the depreciation of the investments to which they refer. The amount attributable to the period came to €4,364 thousand.

8. Intangible assets

Intangible assets at 30 June 2020 amounted to €169,101 thousand, a decrease of €2,466 thousand on the end of 2019, as indicated in the following table:

(thousands of euros)	Industrial patent and intellectual property rights	Other intangible assets	Assets under development	Goodwill	Total
Cost	171,023	11,085	44,649	93,472	320,229
Accumulated amortisation	(146,181)	(2,481)	0	0	(148,662)
Balance at 31.12.2019	**24,842**	**8,604**	**44,649**	**93,472**	**171,567**
Increases	4,237	0	4,041	0	8,278
Disposals	0	0	0	0	0
Reclassifications	0	0	(4,228)	0	(4,228)
Impairement losses	0	0	0	0	0
Amortisation	(6,084)	(432)	0	0	(6,516)
Total changes	**(1,847)**	**(432)**	**(187)**	**0**	**(2,466)**
Cost	175,260	11,085	44,462	93,472	324,279
Accumulated amortisation	(152,265)	(2,913)	0	0	(155,178)
Balance at 30.06.2020	**22,995**	**8,172**	**44,462**	**93,472**	**169,101**

The change in the period is mainly attributable to the following developments:

- amortisation for the period amounting to €6,516 thousand (€4,571 thousand at 30 June 2019). The increase in amortisation in the first half of 2020 is mainly attributable to the purchase price allocation process for the subsidiary IDS AirNav conducted in the second half of 2019, which allocated the excess value in part to industrial patents and intellectual property rights as it regarded software solutions

(€8.6 million), and in part to other intangible assets comprising customer relationships and the order backlog (€9 million), with the residual €26.9 million being attributed to goodwill;

- increases in intangible assets in the total amount of €8,278 thousand, of which €4,237 thousand regard assets that came into service during the period, which mainly refer to multi-year licenses for management and operating systems;
- the decreases in intangible assets regard investment projects that were completed and entered service in the period, with classification to a specific account, amounting to €4,237 thousand net of amounts reclassified in this item from property, plant and equipment.

With regard to goodwill, the verification of the recoverability of assets at 30 June 2020 in application of the method envisaged by IAS 36 *Impairment of Assets*, was performed in the presence of internal and/or external indicators of impairment. In line with ESMA recommendations, management monitored developments in the COVID-19 pandemic with regard to the main areas of interest to the Group, bearing in mind that the forecasts concerning the future evolution of economic and financial conditions are affected by a high degree of uncertainty.

More specifically, the item totals €93,472 thousand and includes €66,486 thousand in respect of the positive difference between the acquisition value of the subsidiary Techno Sky S.r.l. and its net assets at fair value and is representative of future economic benefits. This value is entirely allocated to the Maintenance Services CGU, coinciding with the legal entity Techno Sky S.r.l.. It should be noted that, except for goodwill, no other intangible assets with an indefinite useful life have been allocated to the CGU in question. Management determined that the impact of the COVID-19 pandemic on the performance and financial situation of the Techno Sky CGU was not highly significant and in any case limited to the short term, also in consideration of the fact that the company provides technical operational and maintenance services for air traffic control plant and systems - as also indicated in the disclosures on operating segments reported in note 32 - that are essential for guaranteeing safety, punctuality and operational continuity even if the volume of air traffic has decreased. Despite a reduction in revenues in 2020, performance indicators have improved compared with the initial forecast, given the concomitant contraction in costs. Accordingly, taking account of this limited exposure to the crisis as well as the significant gain (€111 million) that emerged in the impairment test performed at 31 December 2019, no evidence of goodwill impairment was found in the first half of 2020.

The remainder of goodwill, equal to €26,986 thousand, reflects the positive difference between the acquisition value of the subsidiary IDS AirNav S.r.l. and its net assets at fair value, and is representative of future economic benefits. This value, which was determined during the purchase price allocation process, is allocated entirely to the AIM Software Solutions CGU, coinciding with the legal entity IDS AirNav. In the current macroeconomic climate, management has performed analyses to determine whether the impacts of the COVID-19 emergency could represent evidence of impairment and subsequently subjected the CGU to impairment testing. To date, the impacts found in terms of reduced inward cash flows are essentially short-term in nature and are not considered to be structural, reflecting the low exposure of the CGU to the effects of the crisis in the medium term, without jeopardising its ability to generate income in the long term. Accordingly, even considering the adverse impacts on short-term cash flows, the long-term flows considered for the purposes of determining terminal value remain unchanged, confirming the findings of the impairment testing performed when preparing the 2019 Annual Financial Report. At the same time, this aspect does not entail a significant increase in the weight of the terminal value in determining the enterprise value (EV) compared with the value deriving from the cash flows of the plan (61% over 59% as at 31 December 2019).

At 30 June 2020, that goodwill underwent impairment testing, carried out by comparing the recoverable value of the CGU with the carrying amount of the net assets of that unit. It should be noted that, except for goodwill, no other intangible assets with an indefinite useful life have been allocated to the CGU in question. In determining recoverable value, reference was made to value in use. The discount rate used is a WACC of 14.9% with a growth rate of operating cash flows in nominal terms, after the forecast for the explicit period, equal to 0.7% (1.2% at 31 December 2019, consistent with the revised growth forecasts for Italy. The discount rate was estimated using the Capital Asset Pricing Model (CAPM) approach. Despite the COVID-19 pandemic, it did not increase significantly compared with 31 December 2019 (14.5%).

Management decided that the estimation of recoverable value would use the value in use estimated on the basis of the cash flows drawn from the 2020-2024 financial plan prepared by the subsidiary and already approved by IDS AirNav's management and the Parent Company on 18 February 2020 and used in the estimation performed as at 31 December 2019, taking due account of the revised budget for 2020 approved in May 2020.

The test found that the recoverable value is greater than the carrying amount of the CGU and, consequently, no impairment was recognised. The recoverable value for the purposes of the impairment test showed headroom over the corresponding carrying amount of about €3 million (€5 million at 31 December 2019). During the period under review, the company acquired a number of contracts with European and non-European customers.

For the purposes of the sensitivity analysis, an increase in the WACC of 0.5% was assumed while maintaining the growth rate at 0.7%. Headroom was positive at €1.2 million. Assuming an increase in the WACC of 0.5% and a zero growth rate, headroom would be a negative €0.3 million.

In the light of these assessments, it would appear that there are no potential issues concerning the recoverability of the carrying amount of the IDS AirNav CGU.

9. Investments in other entities

At 30 June 2020, investments in other entities amounted to €64,258 thousand, an increase of €1,033 thousand compared with 31 December 2019, associated entirely with the investment in Aireon LLC, which is accounted for at fair value with no recycling to profit or loss, which reflects the adjustment of the investment to fair value and translation at the period-end exchange rate. The carrying amount of the investment is therefore equal to €64.1 million and the Group holds a stake of 9.1%, which will rise to 11.1% following execution of the redemption clause, which will not give rise to costs for the Company.

At 30 June 2020, the Parent Company updated the estimate of the fair value of the investment using the following inputs: the Long Term Operating Plan ("LTOP") updated on the basis of the economic and financial forecasts made available at the valuation date, which take account of the effects of the health emergency, official stock market prices and historical and forecast economic-financial data for the sector and the market price of government securities. Following the update of the inputs, the fair value of the investment in Aireon LLC as at 30 June 2020 was equal to €64.1 million, corresponding to about $71.7 million, an increase of $0.9 million compared with 31 December 2019.

That fair value, calculated on the basis of an internal measurement process, is considered representative of the value of Aireon in consideration of the transaction that took place in mid-2018 for the entry of NATS as a shareholder of Aireon and the de-risking events that occurred subsequently, including the signing of new contracts, completion of the satellite constellation and the progressive transition from the pre-operational phase to actual operations.

The valuation model used is based on the following assumptions: i) fair value, determined from an equity-side perspective, based on a model involving the discounting of the dividends drawn from the explicit period of the plan. Subsequently, the terminal value of the investment was determined by assuming sustainable cash flows at a long-term nominal average growth rate (g-rate); ii) the discount rate used is a cost of capital (Ke) of 16.41%, calculated using the CAPM (Capital Asset Pricing Model) method. With a non-active market, the inputs used are consistent with Level 3 of the fair value hierarchy.

In order to verify the robustness of the estimate, a sensitivity analysis was conducted for the Ke and the growth rate g: maintaining a growth rate of 2% and assuming a Ke of 15.45%, the value of the investment would increase by about $6 million. In order to reflect the potential impact of the pandemic on expected cash flows, an additional risk of 1% was added to Ke, estimated on the basis of the difference in the credit default spreads observed in the market between 2019 and 2020.

10. Current and non-current financial assets

Current and non-current financial assets amounted to €25,028 thousand and €11,127 thousand, respectively, an overall increase of €88 thousand on 31 December 2019. The item breaks down as follows:

(thousands of euros)	30.06.2020 Current assets	30.06.2020 Non-current assets	30.06.2020 Total	31.12.2019 Current assets	31.12.2019 Non-current assets	31.12.2019 Total	Change Current assets	Change Non-current assets	Change Total
Financial assets at amortised cost	24,999	10,658	35,657	24,967	10,658	35,625	32	0	32
Other financial assets	0	318	318	0	347	347	0	(29)	(29)
Derivative financial instruments	29	151	180	10	85	95	19	66	85
Total	**25,028**	**11,127**	**36,155**	**24,977**	**11,090**	**36,067**	**51**	**37**	**88**

Current financial assets increased by a net €51 thousand and regard two BTP government bonds recognised at amortised cost, with a total nominal value of €25 million falling due on 15 October 2020 and 1 November 2020 respectively.

Non-current financial assets mainly regard the receivable due from the company from which the business unit transferred to Techno Sky was acquired, which did not change during the first half of 2020.

11. Deferred tax assets and deferred tax liabilities

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

(thousands of euros)	31.12.2019 Temporary differences	31.12.2019 Deferred Tax assets/liabilities	Increase/decrease through profit or loss Temporary differences	Increase/decrease through profit or loss Deferred Tax assets/liabilities	Increase/decrease through OCI Temporary differences	Increase/decrease through OCI Deferred Tax assets/liabilities	30.06.2020 Temporary differences	30.06.2020 Deferred Tax assets/liabilities
Deferred tax assets								
Taxed provisions	27,020	6,484	1,529	367	0	0	28,549	6,851
Write-down of inventories	9,905	2,377	(1,159)	(278)	0	0	8,746	2,099
Discounting of receivables	135	33	12,863	3,087	0	0	12,998	3,120
Tax effect of IFRS conversion	296	91	0	0	0	0	296	91
provision	3,887	952	0	0	(48)	(11)	3,839	941
Non-deductible portion of severanc	186	45	0	0	0	0	186	45
Fair value of derivatives	4	1	0	0	0	0	4	1
Other	24,419	6,701	299	52	0	0	24,718	6,753
Total	**65,852**	**16,684**	**13,532**	**3,228**	**(48)**	**(11)**	**79,336**	**19,901**
Deferred tax liabilities								
Other	5,755	1,382	749	180	0	0	6,504	1,562
Discounting on debts	885	213	(274)	(66)	0	0	611	147
Tax effect of IFRS conversion	2,316	687	(130)	(42)	0	0	2,186	645
Fair value of investment	8,560	1,797	0	0	858	181	9,418	1,978
Fair value of derivatives	2,676	642	0	0	84	20	2,760	662
PPA	0	4,587	0	(361)	0	0	-	4,226
Total	**20,192**	**9,308**	**345**	**(289)**	**942**	**201**	**21,479**	**9,220**

The change in the first half of 2020 in deferred tax assets and deferred tax liabilities, which have a balance of €19,901 thousand and €9,220 thousand, respectively, is attributable to the following factors:

- the utilisation and recognition of new taxable risk provisions and the provision for doubtful accounts;
- the recognition of the deferred tax liabilities associated with the discounting of receivables and payables for balance recognised in the first half of 2020 and the reversal of the deferred tax liabilities for receivables and payables accruing in the period;
- the recognition of employee severance pay in accordance with the actuarial method, which produced an actuarial gain recognised in other comprehensive income;
- the recognition of deferred tax liabilities on the fair value of the investment in Aireon, as reported in Note 9;
- the reversal of deferred tax liabilities connected with the purchase price allocation of the subsidiary IDS AirNav.

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

12. Current and non-current tax receivables

Non-current tax receivables amounted to €24,858 thousand (unchanged on 31 December 2019) and refer to the receivable for the excess IRES paid by the Group in 2007-2011 as a result of the non-deduction of IRAP relating to personnel and similar costs.

Current tax receivables amounted to €5,867 thousand and include the receivables shown in the following table.

(thousands of euros)	**30.06.2020**	**31.12.2019**	**Change**
Receivables from tax authorities for VAT	5,574	14,414	(8,840)
IRAP receivable	0	58	(58)
Other current tax receivables	293	332	(39)
Total	**5,867**	**14,804**	**(8,937)**

The decrease of €8,937 thousand in tax receivables mainly regards the VAT receivable due from tax authorities, which decreased by €8,840 thousand, mainly reflecting the collection of the VAT receivable for which the subsidiary Techno Sky had requested reimbursement regarding the 2017 tax year, for a total of €8 million.

13. Current and non-current trade receivables

Current trade receivables amounted to €169,560 thousand and non-current trade receivables amounted to €203,566 thousand, changing during the period compared with the previous year as follows:

(thousands of euros)	**30.06.2020**	**31.12.2019**	**Change**
Current trade receivables			
Receivables from Eurocontrol	107,352	152,851	(45,499)
Receivables from the Ministry for the Economy and Finance	4,924	12,114	(7,190)
Receivables from the Ministry of Infrastructure and Transport	45,000	30,000	15,000
Receivables from others	34,038	31,526	2,512
Receivables for balance	9,720	16,098	(6,378)
	201,034	**242,589**	**(41,555)**
Provision for doubtful accounts	(31,474)	(29,268)	(2,206)
Total	**169,560**	**213,321**	**(43,761)**
Non-current trade receivables			
Receivables from Eurocontrol	5,991	0	5,991
Receivables from customers	736	1,480	(744)
Receivables for balance	196,839	8,133	188,706
Total	**203,566**	**9,613**	**193,953**

Receivables from Eurocontrol refers to the fees in respect of en-route and terminal revenues not yet received as of 30 June 2020, the current portion of which amounted to €75,725 thousand (€106,877 thousand at 31 December 2019) and €31,627 thousand (€45,974 thousand at 31 December 2019), respectively, gross of the provision for doubtful accounts, representing an overall decrease of €39,508 thousand, including the portion allocated to non-current trade receivables. The decline reflected a decrease in turnover beginning in March 2020 due to the coronavirus health emergency, which caused the volume of air traffic to fall steeply. As a result of the emergency and to assist the aeronautical sector, all of the member countries of Eurocontrol agreed to defer payments from airlines for flights in the period between February and May 2020. The arrears will be payable every three months as from November 2020. Under this deferral mechanism, the receivable for flights in May 2020 that will be collected in August 2021 has been classified under trade receivables falling due at more than twelve months.

Receivables from the Ministry for the Economy and Finance (MEF) of €4,924 thousand are entirely accounted for by the en-route and terminal exemptions recognised in the first half of 2020. The receivable at 31 December 2019 of €12,114 thousand was offset, after approval of the 2019 financial statements, with the payable to the Italian Air Force for the collections in respect of the en-route charges of €77,515 thousand, which left a payable of €65,401 thousand due to the MEF recognised under other liabilities.

Receivables from the Ministry of Infrastructure and Transport include the operating grant intended to cover the costs incurred by the Parent Company to guarantee the safety of its plant and operational safety, as provided for by Article 11-*septies* of Law 248/05, in the amount of €30 million, increased by €15 million in the first half of 2020 by the amount accruing for the period.

Receivables from others**,** classified under current assets, show a net increase of €2,512 thousand on 31 December 2019, mainly in respect of the receivable due from the Department of Civil Aviation of Malaysia for services rendered and invoiced in the final months of the period. Receivables from customers classified as non-current trade receivables decreased by €744 thousand owing to the reclassification under current receivables of the third annual instalment of the receivable in respect of Alma Mater Studiorum recognised following the disposal of the Academy building complex, which is to be paid in four annual instalments of €750 thousand on 28 June each year. To guarantee the deferred payment, Alma Mater Studiorum - University of Bologna granted a voluntary first mortgage of the same duration as the payment extension on the properties involved in the sale in the amount of €3 million.

The provision for doubtful accounts amounted to €31,474 thousand with changes in the first half of 2020 breaking down as follows:

			Decreases		
(thousands of euros)	**31.12.2019**	Increases	reversals	cancellations	**30.06.2020**
Provision for doubtful accounts	29,268	2,511	(289)	(16)	31,474

The increase in the year in the provision for doubtful accounts reflected both positions written off following the bankruptcy of a number of European air carriers and the effects of the updating of the valuation model used to assess the recoverability of receivables, which was revised following the COVID-19 outbreak. The new model has been specifically updated based on the deterioration in the credit standing of a basket of representative companies in the air transport sector. The decreases include €289 thousand in respect of collections on both en-route and terminal positions written down in previous years, while the remainder regarded the write-off of positions that are no longer considered recoverable.

Receivables for balance, which pertain to the Parent Company in their entirety, amounted to €206,559 thousand net of discounting (€24,231 thousand at 31 December 2019), a net increase of €182,328 thousand attributable to the recognition of positive en-route and terminal balance at 30 June 2020 as a result of the significant contraction in air traffic connected with the COVID-19 pandemic. This amount was classified under non-current trade receivables in accordance with the new mechanism proposed by the European Commission, which envisages its recovery in constant instalments as from 2023.

14. Inventories

Inventories, which are mainly represented by spare parts, amounted to €61,301 thousand net of provisions for doubtful accounts. Changes during the period break down as follows:

(thousands of euros)	**31.12.2019**	**Increases**	**Decreases**	**30.06.2020**
Bonded inventory	65,365	1,601	(2,291)	64,675
Direct inventory	5,233	491	(351)	5,373
	70,598	**2,092**	**(2,642)**	**70,048**
Provision for inventory losses	(9,907)	(8)	1,168	(8,747)
Total	**60,691**	**2,084**	**(1,474)**	**61,301**

The increase of €2,084 thousand, net of the inventory loss provision, mainly reflects bonded inventory for the purchase of spare parts for operating systems used for air navigation. Part of the increase, equal to €454 thousand, was attributable to parts of systems classified to inventories from property, plant and equipment. The decrease of €2,642 thousand, gross of the inventory loss provision, reflected the use of spare parts in operating systems.

The provision for inventory losses decreased by €1,168 thousand due to the disposal of replacement parts that had already been written down in previous years.

15. Other current and non-current assets

Other current assets amounted to €58,545 thousand and other non-current assets totalled €15,738 thousand. The item breaks down as follows:

(thousands of euros)	**30.06.2020**	**31.12.2019**	**Change**
Other current receivables			
Receivables from government entities for capital grants	31,005	32,977	(1,972)
Receivables from personnel	3,374	3,544	(170)
Receivables from various entities for projects funded	7,279	9,560	(2,281)
Prepaid expenses	15,312	1,193	14,119
Other receivables	4,881	4,173	708
	61,851	**51,447**	**10,404**
Provision for doubtful accounts	(3,306)	(3,333)	27
Total	**58,545**	**48,114**	**10,431**
Other non-current receivables			
Receivables from government entities for capital grants	15,738	16,344	(606)
Total	**15,738**	**16,344**	**(606)**

Receivables from government entities for capital grants in the first half of 2019 decreased by €2,578 thousand compared with 31 December 2019, mainly due to the collection of grants under the deconflicting tool project of the Brindisi Area Control Centre. In the first half of 2020, €643 thousand were reclassified under current receivables in respect of the investment project to upgrade the meteorological system, while the accrued interest component connected with the discounting of the receivable was reversed to profit or loss.

Receivables from sundry entities for projects funded decreased by €2,281 thousand compared with 31 December 2019, mainly reflecting the collection of funds for various projects, including the first interim payment for the Connecting Europe Facility (CEF) 2016 call, the accounts for which were reported in 2019.

Prepaid expenses increased by €14,119 thousand compared with 31 December 2019, reflecting the recognition of personnel expenses accruing in subsequently months, mainly the 14th month salary payment to employees in June, with the portion not pertaining to the period deferred, and fees paid to financial institutions for new lines of credit.

16. Cash and cash equivalents

The following table provides a breakdown of cash and cash equivalents at 30 June 2020.

(thousands of euros)	**30.06.2020**	**31.12.2019**	**Change**
Bank and post office deposits	218,208	449,209	(231,001)
Cash and cash equivalents on hand	47	59	(12)
Total	**218,255**	**449,268**	**(231,013)**

Cash and cash equivalents totalled €218,255 thousand, a net decrease of €231,013 thousand that mainly reflected developments in receipts and payments connected with ordinary operations, which produced a negative cash flow owing to the reduction in receipts from core business operations as a result of the effects of the COVID-19 pandemic. The health emergency produced a sharp contraction in air traffic and prompted the member countries of Eurocontrol to grant deferrals to air carriers for payments due for flights in the period from February to May. Other factors included: i) the payment of dividends in the amount of €112.7 million; ii) repayment of loans of €6.7 million; and iii) payment to the Italian Air Force of its share of terminal receipts in the amount of €10.7 million. These developments were only partly offset by the receipt of grants in respect of 2014-202 NOP projects and projects funded by the Connecting Europe Facility 2016 call and other projects funded for a total of €3.4 million as well as the collection of the VAT receivable in the amount of €8.2 million.

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

17. Assets held for sale and associated liabilities

Assets and liabilities held for sale only include the positions connected with the Sicta Consortium in liquidation. As already noted in 2019, certain supervening circumstances have prevented completion of the liquidation of the consortium, although they could be resolved in the course of this year. The balance at 30 June 2020 is broadly unchanged on that reported in the consolidated financial statements at 31 December 2019.

18. Shareholders' equity

Shareholders' equity at 30 June 2020 amounted to €1,059,855 thousand and breaks down as follows.

(thousands of euros)	**30.06.2020**	**31.12.2019**	**Change**
Share capital	541,744	541,744	0
Legal reserve	37,404	31,810	5,594
Other reserves	450,693	449,414	1,279
Translation reserve	7,017	7,030	(13)
IAS FTA reserve	(727)	(727)	0
Reserve for actuarial gains/(losses) for employee benefits	(11,173)	(11,210)	37
Cash flow hedge reserve	2,094	2,030	64
Reserve for treasury shares	(4,973)	(4,973)	0
Retained earnings/(loss carryforward)	19,641	19,993	(352)
Profit (loss) for the year	15,720	118,432	(102,712)
Company	**1,057,440**	**1,153,543**	**(96,103)**
Share capital and reserves pertaining to non-controlling interests	2,500	2,664	(164)
Profit/(loss) pertaining to non-controlling interests	(85)	(164)	79
Total shareholders' equity pertaining to non-controlling interests	**2,415**	**2,500**	**(85)**
Total shareholders' equity	**1,059,855**	**1,156,043**	**(96,188)**

On 21 May 2019, the Ordinary Shareholders' Meeting called, among other things, to approve the financial statements at 31 December 2019 voted to distribute a total dividend of €0.2094 share to shareholders, in line with the dividend policy announced to the market in the prospectus for the listing of the Parent Company on the electronic stock market operated by Borsa Italiana on 26 July 2016, which is valid for 2016 and subsequent years until the end of the second reference period.

At 30 June 2020, share capital consisted of 541,744,385 ordinary shares with no par value.

Other reserves showed an increase of €1,279 thousand in the first half of 2020, mainly in respect of the fair value adjustment of the investment in other Aireon companies net of deferred taxes (€678 thousand) and the amount for the period of the reserve for the long-term incentive plan for Group management (€604 thousand).

Retained earnings/(loss carryforward) reflects results for previous years of the companies included in the scope of consolidation and adjustments made at the consolidated level. The change for the period reflects the distribution of the dividend in the amount drawn from retained earnings.

19. Provisions for risks and charges

Provisions for risks and charges amounted to €1,816 thousand, of which the portion classified in current liabilities totalled €508 thousand, and changed as follows during the period:

(thousands of euros)	31.12.2019	Increases	To profit or loss	Uses	30.06.2020
Provisions for disputes with personnel	768	115	0	0	883
Provisions for other pending litigation	127	0	0	(77)	50
Other risk provisions	883	0	0	0	883
Total provisions for risks and charges	**1,778**	**115**	**0**	**(77)**	**1,816**

Provisions for disputes with personnel, the short-term portion of which amounted to €530 thousand, increased by €115 thousand in the period, reflecting an update of the estimated value of liabilities identified as probable. At 30 June 2020, the total value of legal claims relating to outstanding disputes for which Group legal counsel have deemed the risk of a loss to be *possible* was €0.4 million.

Provisions for other pending litigation, classified entirely under short-term liabilities, decreased following the settlement of a dispute with a supplier. At 30 June 2020, the estimated charges related to outstanding disputes for which Group legal counsel have deemed the risk of a loss to be *possible* is about €1.7 million.

20. Severance pay and other employee benefits

The provision for severance pay and other employee benefits amounted to €50,551 thousand, and is composed of the severance pay provision governed by Article 2120 of the Civil Code, which reports the estimated liability determined using actuarial techniques in respect of amounts payable to ENAV Group employees at the end of their employment relationship.

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

(thousands of euros)	30.06.2020	31.12.2019
Liabilities for employee benefits at the beginning of the year	**52,509**	**52,280**
Change in scope of consolidation	0	249
Interest cost	249	445
Actuarial (gains)/losses on defined benefits	(48)	2,794
Advances, benefit payments and other variations	(2,159)	(3,259)
Liabilities for employee benefits at the end of the year	**50,551**	**52,509**

The interest cost component of the provision, equal to €249 thousand, was recognised under financial expense. The utilisation of €2,159 thousand of the severance pay provision reflected benefits paid out to personnel leaving the Group during the period and advances disbursed to personnel who so requested. The difference between the expected value of provision at the end of observation period and the expected present value of benefits payable in the future, recalculated at period end on the basis of the updated assumptions, represents the actuarial gain (loss). At 30 June 2020 this calculation generated actuarial gains of €48 thousand.

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

	30.06.2020	**31.12.2019**
Discount rate	0.74%	0.77%
Inflation rate	1.20%	1.20%
Rate of annual increase in severance pay	2.40%	2.40%
Expected turnover rate	4.00%	4.00%
Expected rate of advances	2.50%	2.50%

The discount rate used to calculate the present value of the obligation was determined, consistent with paragraph 83 of IAS 19, using the IBoxx Corporate AA Index with a duration of 10+ observed at the measurement date and commensurate with the average length of future service of the personnel involved. The inflation rate was calculated on the basis of current economic conditions, where the majority of economic indicators have been particularly volatile, selecting a rate of 1.2%. The annual rate of increase in severance pay is equal to 75% of inflation plus 1.5 percentage points, in compliance with Article 2120 of the Italian Civil Code.

21. Current and non-current financial liabilities

Current and non-current financial liabilities include: i) payables to credit institutions for medium/long-term loans with the short-term portion reported under current financial liabilities inclusive of interest expense recognised on an accrual basis; ii) lease liabilities recognised following application of IFRS 16; and (iii) the bond issued by the Parent Company on 4 August 2015, with interest expense accrued for the first half of 2020 included under current liabilities.

The values at 30 June 2020 compared with those at 31 December 2019 and the associated changes are shown below:

(thousands of euros)	30.06.2020 current	30.06.2020 non-current	30.06.2020 Total	31.12.2019 current	31.12.2019 non-current	31.12.2019 Total	Change current	Change non-current	Change Total
Bank loans	13,715	136,896	150,611	13,639	143,713	157,352	76	(6,817)	(6,741)
Lease liabilities under IFRS 16	2,176	6,025	8,201	2,113	7,071	9,184	63	(1,046)	(983)
Bond	3,141	180,000	183,141	1,418	180,000	181,418	1,723	0	1,723
Total	**19,032**	**322,921**	**341,953**	**17,170**	**330,784**	**347,954**	**1,862**	**(7,863)**	**(6,001)**

The following table provides a breakdown of net financial debt at 30 June 2020 compared with 31 December 2019, in accordance with the requirements of the Consob Communication of 28 July 2006 and in compliance with the provisions of the recommendation ESMA/2013/319 of 20 March 2013.

(thousands of euros)	30.06.2020	of which with related parties	31.12.2019	of which with related parties
(A) Cash	218,255	1,074	449,268	535
(B) Other cash equivalents	0	0	0	0
(C) Trading securities	0	0	0	0
(D) Liquidity (A)+(B)+(C)	**218,255**	**1,074**	**449,268**	**535**
(E) Current financial receivables	**24,999**	**0**	**24,967**	**0**
(F) Current financial debt	0	0	0	0
(G) Current portion of non-current debt	(16,856)	0	(15,057)	0
(H) Other current financial debt	(2,176)	0	(2,113)	0
(I) Current financial debt (F)+(G)+(H)	**(19,032)**	**0**	**(17,170)**	**0**
(J) Net current financial debt/Liquidity (D)+(E)+(I)	**224,222**	**1,074**	**457,065**	**535**
(K) Non-current bank loans	(136,896)	0	(143,713)	0
(L) Bonds issued	(180,000)	0	(180,000)	0
(M) Other non-current debt	(6,025)	0	(7,071)	0
(N) Non-current financial debt (K)+(L)+(M)	**(322,921)**	**0**	**(330,784)**	**0**
(O) CONSOB Net financial debt (J)+(N)	**(98,699)**	**1,074**	**126,281**	**535**
(P) Current and non-current derivatives	180	0	95	0
(Q) Non-current financial receivables	0	0	0	0
(R) ENAV Group net financial debt (O)+(P)+(Q)	**(98,519)**	**1,074**	**126,376**	**535**

Bank loans at 30 June 2020 decreased by a net €6,741 thousand following the repayment of loans and the effects associated with amortised cost measurement.

Specifically, repayments involved the following loans:

- the repayment of the half-year instalment of the loan from the EIB in the amount of €2,677 thousand, with the final payment falling due on 12 December 2032;
- the repayment of an instalment of the loan from the EIB in the amount of €4,093 thousand, with the final payment falling due on 19 December 2029.

The instalments of the above loans falling due in the first half of 2021 in line with the repayment plans are recognised under current liabilities in the total amount of €13,715 thousand, which includes the effect of amortised cost measurement.

At 30 June 2020, the Group had unused short-term credit lines totalling €297.5 million, including committed lines of €150 million and uncommitted lines of €147.5 million.

The average annual interest rate on bank loans in the reference period was 1.67%.

Lease liabilities under IFRS 16 include a total of €8,201 thousand in financial liabilities in respect of rights of use recognised in application of the new standard and consistent with contractual due dates. During the first half of 2020, that liability decreased by €983 thousand as a consequence of payments made.

On 4 August 2015, the Parent Company issued a bond with a nominal value of €180 million, which is listed on the Luxembourg Stock Exchange's regulated market and has a maturity of seven years, with full repayment at maturity (4 August 2022). The bond issue provides for the payment in arrears of an annual fixed-rate coupon of 1.93% of the nominal value. The interest accrued for the period amounted to €1,723 thousand and was classified under current liabilities, bringing the entire liability for interest to €3,141 thousand.

In relation to the disclosure required under IFRS 7, the fair value of the bond, understood as the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date of 30 June 2020, was estimated at €187.9 million.

22. Current and non-current trade payables

Trade payables amounted to €129,364 at 30 June 2020, a net decrease of €9,390 thousand on 31 December 2019, reflecting the changes in the items reported in the following table:

(thousands of euros)	**30.06.2020**	**31.12.2019**	**Change**
Current trade payables			
Payables to suppliers	83,748	106,724	(22,976)
Payables for advances received for projects with EU financing	8,309	8,527	(218)
Payables for balance	37,307	23,503	13,804
Total	**129,364**	**138,754**	**(9,390)**
Non-current trade payables			
Payables to suppliers	68	175	(107)
Payables for balance	26,676	49,242	(22,566)
Total	**26,744**	**49,417**	**(22,673)**

Payables to suppliers of goods and services necessary for the Group's operations decreased by €22,976 thousand compared with 31 December 2019, mainly reflecting a decline in payables associated with operating contracts and investments in the period as well as payments made, mainly in the first quarter, largely in respect of investment activities.

Payables for balance amounted to €63,983 thousand, of which the part classified under current payables came to €37,307 thousand and corresponds to the amount that will be charged to profit or loss in 2021 in accordance with developments in charges. The overall net decrease of €8,762 thousand in payables for balance at 30 June 2020 compared with 31 December 2019 is attributable to the increase in the amount recognised in profit or loss in respect of the amount accruing for the period and in accordance with the amount recognised in charges in 2020 in the amount of €11,162 thousand, compared with negative balance recognised in the period and classified under non-current payables in the amount of €2,125 thousand.

23. Other current and non-current liabilities

Other current and non-current liabilities showed an overall net decrease of €1,518 thousand compared with 31 December 2019, as a result of the changes in the items reported in the following table:

	30.06.2020			31.12.2019			Change		
(thousands of euros)	current	non-current	Total	current	non-current	Total	current	non-current	Total
Payments on account	24,679	0	24,679	93,410	0	93,410	(68,731)	0	(68,731)
Other payables	114,892	1,027	115,919	41,260	1,027	42,287	73,632	0	73,632
Deferred income	7,973	169,289	177,262	8,158	175,523	183,681	(185)	(6,234)	(6,419)
Total	**147,544**	**170,316**	**317,860**	**142,828**	**176,550**	**319,378**	**4,716**	**(6,234)**	**(1,518)**

Payments on account amounted to €24,679 thousand and include €18,491 thousand in respect of the debt to the Italian Air Force (IAF) for the portion of accrued revenues received in the first half of 2020 for en-route and terminal services and €6,188 thousand in respect of the debt to Italian Civil Aviation Authority (ENAC) for accrued revenues concerning those services. The net decrease of €68,731 thousand for the first half of 2020 reflects the following events: i) offsetting of Italian Air Force (IAF) payments on account for en-route services registered at 31 December 2019 in the amount of €75,515 thousand against the receivable due from the Ministry for the Economy and Finance (MEF) of €12,114 thousand, with the associated liability to the MEF recognised in the amount of €65,401 thousand under other payables in other current liabilities; ii) payment to the IAF of the receipts pertaining to it for the second half of 2019 for terminal services in an amount of €10,775 thousand; and iii) recognition of the amounts accrued in the period pertaining to the IAF and ENAC for a total of €19,559 thousand.

Other payables amounted to €115,919 thousand, a net increase of €73,632 thousand compared with 31 December 2019. This mainly reflected: i) the recognition of the payable to the MEF in the amount of €65,401 thousand following the developments noted earlier; ii) the recognition of an increase in payables to personnel, amounting to €36,702 thousand (€31,257 thousand at 31 December 2019), in respect of provisions for the period less the liability for holiday entitlement accrued and not taken, which was used to a greater extent than the amount accrued in the period by Group personnel; and iii) an increase of €1.8 million in liabilities in respect of supplementary pension schemes owing to the increase in the calculation base, which includes the 14th month salary payment.

Deferred income mainly refers to deferred grants on investment projects financed under the NOP Infrastructure and Networks for the period 2000-2006, 2007-2013 and 2014-2020 regarding specific investments made in southern airports, capital grants for investments at military airports in accordance with the provisions of Law 102/09, and other investment grants, mainly referring to European funding obtained under TEN-T and the 2014, 2015 and 2016 calls of the CEF programme. The net decrease of €6,419 thousand for the period mainly regards the reversal to profit or loss of the amount accruing for the period connected with the amortisation of the investments to which the grants refer in the amount of €4,364 thousand.

24. Tax and social security payables

Tax and social security payables amounted to €56,459 thousand and break down as shown in the following table.

(thousands of euros)	**30.06.2020**	**31.12.2019**	**Change**
Tax payables	26,838	17,415	9,423
Social security payables	29,621	18,531	11,090
Total	**56,459**	**35,946**	**20,513**

Tax payables showed a net increase of €9,423 thousand, mainly reflecting an increase in IRPEF withholdings paid in July in respect of the payment of the 14th month salary payment in June to personnel. *Social security payables* rose by €11,090 thousand, attributable to the increase in charges connected with the additional remuneration paid in June and the part connected with provisions for personnel recognised on an accruals basis.

Explanatory notes to the interim consolidated income statement

25. Revenues from contracts with customers

Revenues from contracts with customers, represented by revenues from operating activities and the balance adjustment component, totalled €355,914 thousand, down €43,516 thousand compared with the same period of the previous year, reflecting the effects of the health emergency connected with the spread of the COVID-19 virus, which as from March led to a sharp contraction in en-route and terminal air traffic and the closure of 29 airports operated by the Parent Company. As regards the impact on the income statement, please see the discussion in the Interim Report on Operations of the Group's performance and the section "*The impact of COVID-19 on performance*".

The following tables provide a breakdown of the individual items that make up the revenues from contracts with customers in addition to a breakdown of those revenues by nature and type of activity in accordance with the requirements of IFRS 15.

(thousands of euros)	**1st Half 2020**	**1st Half 2019**	**Change**	**%**
En-route revenues	110,024	310,141	(200,117)	-64.5%
Terminal revenues	37,796	108,814	(71,018)	-65.3%
En-route and terminal exemptions	4,924	6,198	(1,274)	-20.6%
Revenues from non-regulated market	11,738	4,091	7,647	186.9%
Total revenues from operations	**164,482**	**429,244**	**(264,762)**	**-61.7%**
Balance	191,432	(29,814)	221,246	n.a.
Total revenues from contracts with customers	**355,914**	**399,430**	**(43,516)**	**-10.9%**

En-route revenues

En-route revenues amounted to €110,024 thousand, a decrease of 64.5% on the same period of 2019, reflecting a decrease in service units generated during the period as a result of the COVID-19 emergency, which led to the closure of most air routes at the EU and extra-EU levels, with the contraction in units at the end of the period amounting to 58.4% (+7.5% first half of 2019 over first half of 2018). This effect was compounded by the 15.3%reduction in the en-route charge applied in 2020 (€66.02 in 2020 compared with €77.96 in 2019). The reduction net of balance amounted to 7.4%.

Considering en-route revenues including the exempt flights component, which decreased by 25% compared with the first half of 2019, and the adjustment component for balance, which includes the portion recognised in the period and the portion recognised in previous years and included in charges in 2020 and, consequently, profit or loss for the same period, en-route revenues totalled €252,089 thousand, a decrease of 12.9%, as shown below:

(thousands of euros)	**1st Half 2020**	**1st Half 2019**	**Change**	**%**
En-route revenues	110,024	310,141	(200,117)	-64.5%
En-route exemptions	3,766	5,019	(1,253)	-25.0%
Subtotal en-route revenues	*113,790*	*315,160*	*(201,370)*	-63.9%
En-route balance for the period	147,429	(1,948)	149,377	n.a.
Discounting of balance for the period	(9,413)	32	(9,445)	n.a.
Use of en-route balance n-2	283	(23,978)	24,261	n.a.
Subtotal balance	*138,299*	*(25,894)*	*164,193*	n.a.
Total revenues from en-route operations net of balance	**252,089**	**289,266**	**(37,177)**	**-12.9%**

The en-route balance had a positive impact totalling €138,299 thousand, an increase of €164,193 thousand compared with the first half of 2019, mainly reflecting developments in the balance component, which in accordance with the new rules proposed by the European Commission enable partial recovery of the decrease in revenues caused by the spread of the COVID-19 pandemic with the coverage of determined costs for 2019 reduced by an appropriate percentage representing the efficiency gains that can reasonably be required from service providers. This balance was discounted over a period consistent with the Commission's proposed regulation, which provides for their recovery in charges over five years as from 2023, generating a negative impact on profit or loss of €9,413 thousand.

Terminal revenues

Commercial *terminal revenues* amounted to €37,796 thousand, a decrease of 65.3% compared with the same period of the previous year, due to the decrease in service units posted by the individual airports, divided by charging zones, which came to 60.7% overall (+5.7% in the first half of 2019 over first half of 2018), and to the reduction in charges applied in all three charging zones.

In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted a decrease in assisted air traffic, expressed in service units, of 61.9% (+4.1% first half of 2019 over first half of 2018), with a contraction of 89.3% in second quarter of 2020 alone compared with the same period of 2019. This factor was compounded by a decrease of 12.25% in the terminal charge applied in 2020, which amounted to €167.33 compared with €190.69 in 2019.

Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio registered a decrease in assisted air traffic, expressed in service units, of 57.4% compared with the first half of 2019 (+6.3% first half of 2019 over first half of 2018), reflecting in part the positive impact of air traffic in the first two months of the year (+3.3%), followed by the plunge in traffic as from March as a result of the COVID-19 emergency, which even led to closure of the Milan Linate and Bergamo Orio al Serio airports as from 13 March 2020. The terminal charge for 2020 is €167.56, a decrease of 15.19% on that applied in 2019 (€197.56).

Charging Zone 3, which comprises 40 medium- and low-traffic airports recorded a decrease in assisted air traffic, expressed in service units, of 62.8% (+6.1% first half of 2019 over first half of 2018), with the growth in the first two months of 2020 (+2.8%) followed by a steep decline in the subsequent months due to the health emergency and the closure of a number of airports. The terminal charge in 2020 is €298.93, down 6.3% on the charge applied in 2019 (€318.98).

Considering terminal revenues including the exempt flights component, which decreased by 1.8% on the corresponding period of the previous year in reflection of the reduction in charges and the adjustment component for balance, which includes the portion recognised in the period and the portion recognised in previous years and included in charges in 2020 and, consequently, profit or loss, terminal revenues totalled €92,087 thousand, down 13.2% on the first half of 2019, as shown below:

(thousands of euros)	1st Half 2020	1st Half 2019	Change	%
Terminal revenues	37,796	108,814	(71,018)	-65.3%
Terminal exemptions	1,158	1,179	(21)	-1.8%
Subtotal	*38,954*	*109,993*	*(71,039)*	-64.6%
Terminal balance for the period	52,984	(2,534)	55,518	n.a.
Discounting of balance for the period	(3,383)	42	(3,425)	n.a.
Use of terminal balance n-2	3,532	(1,428)	4,960	n.a.
Subtotal	*53,133*	*(3,920)*	*57,053*	n.a.
Total revenues from terminal operations net of balance	**92,087**	**106,073**	**(13,986)**	**-13.2%**

Terminal balance amounted to a positive €53,133 thousand, an increase of €57,053 thousand on the first half of 2019. This balance, recognised in accordance with the rules for en-route charges, enable the partial recovery of the decrease in revenues for the first half of 2020. They include €9.6 million in respect of Charging Zone 1, €12.4 million in respect of Charging Zone 2 and €31 million in respect of Charging Zone 3. The balances were discounted, as noted earlier, generating a negative impact on profit or loss of €3,383 thousand.

Revenues from the non-regulated market amounted to €11,738 thousand, an increase of €7,647 thousand on the same period of 2019, mainly reflecting €6,629 thousand in revenues generated by the subsidiary IDS AirNav, which was included in the scope of consolidation in July 2019. These revenues were mainly generated by services and maintenance of products sold to customers around the world, mainly outside Europe, including work on the project for the new Ndola airport in Zambia, support services provided to the Swedish service provider and German service provider as part of the ADQ (Aeronautical Data Quality) project and the contract with CISCEA, the Brazilian service provider, for licences for the mapping tool and associated maintenance. The remainder of revenues from the non-regulated market mainly regard radio-aid control services and aeronautical consulting activities in Italy and abroad and the revenues of the subsidiary D-Flight for services supplied to operators of unmanned aerial vehicles (UAV) for annual subscriptions and the electronic registration of drones.

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

(thousands of euros)	1st Half 2020	1st Half 2019	Change	%
Revenues from non-regulated market				
Sale of licences and provision of services	6,629	0	6,629	n.a.
Flight inspection	676	912	(236)	-25.9%
Aeronautical consulting	1,813	1,265	548	43.3%
Technical and engineering services	1,571	1,168	403	34.5%
Services for unmanned aerial vehicles	319	0	319	n.a.
Training	2	283	(281)	-99.3%
Other revenues	728	463	265	57.2%
Total revenues from non-regulated market	**11,738**	**4,091**	**7,647**	**186.9%**

26. Other operating income

Other operating income amounted to €20,941 thousand, a decrease of 7.2% on the first half of 2019 (€22,563 thousand), mainly reflecting a decrease in revenue from European financing and a decline in other revenues and income, which in the first half of 2019 included revenues from the sale of the parking area of the Academy in Forlì to the City of Forlì. The balance of the item primarily regards: i) the portion of capital grants recognised in profit or loss in an amount equal to the depreciation charges on the assets to which the grant, equal to €4,364 thousand (€4,695 thousand in the first half of 2019); ii) operating grants of €15 million in respect of the amount paid to the Parent Company under Article 11-*septies* of Law 248/05 (pro-rated for the period) to offset the costs incurred to guarantee the safety of its plant and operational safety; and iii) European funding for European projects in which the Group participates, which in the period saw the closure of a number of projects.

The following table provides a breakdown of revenues for first half of 2020 and the same period of 2019 by geographical area.

Revenues	1st Half 2020	% of revenues	1st Half 2019	% of revenues
Italy	367,338	97.5%	418,955	99.3%
EU	3,289	0.9%	857	0.2%
Non-EU	6,228	1.7%	2,181	0.5%
Total revenues	**376,855**		**421,993**	

(thousands of euros)

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

Costs for goods, services, leases and rentals and other operating expenses totalled €62,473 thousand, a net decrease of 5.4% on the same period of the previous year, a reduction that rises to 10.9% if we exclude the costs contributed by IDS AirNav, which were not present in the year-earlier period.

	1st Half 2020	1st Half 2019	Change	%
Costs for the purchase of goods	3,245	3,720	(475)	-12.8%
Costs for services:				
Maintenance costs	8,834	9,367	(533)	-5.7%
Costs for Eurocontrol fees	19,158	19,055	103	0.5%
Costs for utilities and telecommunications	12,105	15,319	(3,214)	-21.0%
Costs for insurance	1,588	1,281	307	24.0%
Cleaning and security	2,577	2,294	283	12.3%
Other personnel-related costs	3,294	4,753	(1,459)	-30.7%
Professional services	5,022	3,988	1,034	25.9%
Other costs for services	3,738	3,982	(244)	-6.1%
Total costs for services	**56,316**	**60,039**	**(3,723)**	**-6.2%**
Costs for leases and rentals	1,075	976	99	10.1%
Other operating expenses	1,837	1,329	508	38.2%
Total costs for services	**62,473**	**66,064**	**(3,591)**	**-5.4%**

(thousands of euros)

Costs for the purchase of goods decreased by 12.8%, the net effect of a reduction in purchases of materials for the restructuring and modernisation of airports domestically and abroad and an increase in costs incurred for the purchase of personal protective equipment connected with the COVID-19 emergency.

Costs for services showed a general decrease of €3,723 thousand in the period, reflecting in part the cost containment actions taken to counter the impact of the reduction in air traffic. Contributing to the decline were: i) a reduction of 21% in costs for telecommunications for data connections of the ENET1 network as a result of the decommissioning of older circuits and the lower costs associated with the new contract and in costs for utilities as a consequence of the decrease in electricity consumption across the entire country connected with the closure of certain airports and the use of flexible working arrangements; ii) a reduction of 30.7% in other personnel costs owing to the elimination of travel costs as from March as a result of the COVID-19 emergency. These reductions were partially offset by higher costs for professional services connected with foreign orders, primarily connected with the subsidiary IDS AirNav, and the cleaning costs associated with extraordinary sanitation efforts at all sites since the beginning of the coronavirus emergency.

Other operating expenses increased by €508 thousand on the first half of 2019, mainly reflecting donations to the Lazzaro Spallanzani National Institute for Infectious Diseases and the Civil Protection Department in the fight against COVID-19 in the total amount of €300 thousand.

28. Personnel costs

Personnel costs amounted to €235,235 thousand, a net decrease of 5.6% on the first half of 2019. That decrease would have amounted to 7.2% if we exclude the personnel costs of IDS AirNav, which were not present in the year-earlier period as the company was included in the scope of consolidation as from 18 July 2019.

(thousands of euros)	**1st Half 2020**	**1st Half 2019**	**Change**	**%**
Wages and salaries, of which:				
Fixed remuneration	143,467	139,934	3,533	2.5%
Variable remuneration	21,489	35,764	(14,275)	-39.9%
Total wages and salaries	**164,956**	**175,698**	**(10,742)**	**-6.1%**
Social security contributions	55,051	58,486	(3,435)	-5.9%
Employee severance pay	11,443	11,785	(342)	-2.9%
Other costs	3,785	3,206	579	18.1%
Total personnel costs	**235,235**	**249,175**	**(13,940)**	**-5.6%**

Fixed remuneration increased by 2.5% compared with the first half of 2019, of which 2% attributable to the subsidiary IDS AirNav and the remainder to the higher costs associated with contractual increases at the Parent Company in March and December 2019, to the increase in leave under Law 104/92 as provided for in Decree Law 18/2020 (the "Cure Italy Decree") and the increase in the share of costs for parental leave borne by INPS, which will be recovered in the following month through a decrease in payments of social security contributions. The Group workforce increased by 176 in effective terms and 130 on average compared with the corresponding period of the previous year, mainly reflecting IDS AirNav. The workforce at the end of the first half of 2020 numbered 4,230 in effective terms and 4,235 on average for the period. Variable remuneration decreased by a net 39.9% compared with the corresponding period of the previous year, due to the actions taken in response to the health emergency, with: i) a decrease in overtime for air traffic controllers, which was directly connected with the decline in air traffic, and in overtime for non-operational staff; and ii) greater use of holiday entitlement, with a positive effect on profit or loss as the backlog of unused holiday time from previous years and the entitlement accruing in first half of 2020 was almost entirely eliminated.

Social security contributions decreased by 5.9% as a consequence of the reduction in wages and salaries due to the effects discussed previously and the recovery of costs for leave under Law 104/92 advanced by the Parent Company. Other personnel costs amounted to €3,785 thousand, an increase of 18.1% compared with the first half of 2019, reflecting an increase in termination incentives granted to outgoing personnel in the period and an increase in premiums on insurance policies for employees.

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

	1st Half 2020	1st Half 2019	Change
Executives	56	53	3
Middle managers	417	405	12
Office staff	3,757	3,596	161
Workforce at period end	**4,230**	**4,054**	**176**
Average workforce	**4,235**	**4,105**	**130**

29. Capitalised costs

Capitalised costs amounted to €13,239 thousand (€12,979 thousand in the first half of 2019), an increase of €260 thousand on the same period of 2019, reflecting an increase in the hours spent by personnel in investment projects, which offset a substantial part of the decrease in internal work on investment projects by the subsidiary Techno Sky.

30. Financial income and expense

Net financial expense totalled €2,538 thousand, reflecting financial income of €1,030 thousand, financial expense of €3,480 thousand and foreign exchange losses of €88 thousand.

The following table provides a breakdown of financial income:

(thousands of euros)	1st Half 2020	1st Half 2019	Change	%
Income from investments in other entities	417	417	0	0.0%
Financial income from discounting of non-current receivables	46	148	(102)	-68.9%
Financial income from financial assets	87	86	1	1.2%
Interest income on VAT receivable for which reimbursement was requested	0	112	(112)	-100.0%
Other interest income	480	511	(31)	-6.1%
Total financial income	**1,030**	**1,274**	**(244)**	**-19.2%**

The decrease of 19.2% in financial income mainly reflects a decline in the impact of the discounting of receivables and the lack of interest income on VAT receivables for which reimbursement was requested, as the receivables were settled in the second half of 2019.

Financial expense amounted to €3,480 thousand, down 10.8% on the first half of 2019.

(thousands of euros)	1st Half 2020	1st Half 2019	Change	%
Interest expense on bank loans	1,092	1,210	(118)	-9.8%
Interest expense on bonds	1,723	1,723	0	0.0%
Interest expense on employee benefits	249	306	(57)	-18.6%
Interest expense on right-of-use assets	70	80	(10)	-12.5%
Financial expense on derivatives at fair value	0	10	(10)	-100.0%
Financial expense on discounting	342	569	(227)	-39.9%
Other interest expense	4	2	2	100.0%
Total financial expense	**3,480**	**3,900**	**(420)**	**-10.8%**

The decrease in financial expense mainly reflects a reduction in costs for the discounting of balances and the reduction in interest expense accrued on bank loans, as well as the decline in the interest cost on benefits for Group employees.

31. Income taxes

Income taxes totalled €2,310 thousand, down €10,528 thousand on the first half of 2019. The decline reflected a decrease in current taxes connected with the decline in taxable income and the positive effect of deferred taxation associated with the recognition of deferred tax assets on the discounting of balance recognised in the first half of 2020.

(thousands of euros)	1st Half 2020	1st Half 2019	Change	%
IRES (corporate income tax)	4,707	10,842	(6,135)	-56.6%
IRAP (regional business tax)	1,120	2,217	(1,097)	-49.5%
Total current taxes	**5,827**	**13,059**	**(7,232)**	**-55.4%**
Deferred tax assets	(3,228)	(139)	(3,089)	n.a.
Deferred tax liabilities	(289)	(82)	(207)	n.a.
Total deferred tax assets and liabilities	**(3,517)**	**(221)**	**(3,296)**	**n.a.**
Total current tax and deferred tax assets and liabilities	**2,310**	**12,838**	**(10,528)**	**-82.0%**

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

Other information

32. Segment reporting

For management purposes, the ENAV Group is organised in strategic units identified on the basis of the nature of the services provided and, in addition to the two operating segments long used for financial reporting purposes, has a new operating segment created following the acquisition of IDS AirNav in July 2019.

The segments are described below:

- **Air navigation services:** this operating segment coincides with ENAV, the Parent Company, whose core business is providing air traffic control and management services and other essential air navigation services in Italian airspace and at the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and upgrading the technology infrastructure of air navigation systems;
- **Maintenance services**: this operating segment coincides with the subsidiary Techno Sky S.r.l., whose core business is the technical management and maintenance of air traffic control equipment and systems. *Air infrastructure,* like the country's other logistics infrastructure, requires constant maintenance and continuous development to ensure safety, punctuality and operational continuity. This is clearly stated in the European Union's Single European Sky regulations, which on the one hand define the future structure of the air traffic management system and on the other set the technological, qualitative, economic and environmental targets that all service providers must meet;
- **AIM software solutions**: this operating segment coincides with the subsidiary IDS AirNav S.r.l., acquired in full by ENAV on 18 July 2019, whose core business is the development of software solutions for aeronautical information management and air traffic management and the provision of associated commercial and maintenance services, for a range of customers in Italy, Europe and around the world.

The column *Other segments* includes the Group's remaining activities that are not categorised in the other segments subject to monitoring.

No operating segment has been aggregated to create the operating segments subject to reporting indicated below for the first half of 2020 and the first half of 2019.

First half of 2020

(thousands of euros)	Air navigation services	Maintenance services	AIM software solutions	Other sectors	Consolidation adjustments/ reclassification	ENAV Group
Revenues from third parties	366,915	1,373	6,730	1,837	0	376,855
Intersegment revenues	1,725	44,583	867	0	(47,175)	0
Total revenues	**368,640**	**45,956**	**7,597**	**1,837**	**(47,175)**	**376,855**
Personnel costs	(204,703)	(26,451)	(4,072)	(9)	0	(235,235)
Other net costs	(83,508)	(6,466)	(3,784)	(1,335)	45,860	(49,233)
Total operating costs	**(288,211)**	**(32,917)**	**(7,856)**	**(1,344)**	**45,860**	**(284,468)**
Depreciation and amortisation	(68,859)	(896)	(183)	(114)	459	(69,593)
Writedowns and provisions	(2,098)	(160)	(30)	0	(22)	(2,310)
EBIT	**9,472**	**11,983**	**(472)**	**379**	**(878)**	**20,484**
Financial income and expense	10,864	(88)	(70)	(46)	(13,198)	(2,538)
Income before taxes	**20,336**	**11,895**	**(542)**	**333**	**(14,076)**	**17,946**
Income taxes	956	(3,462)	34	(79)	242	(2,309)
Net profit (loss) for the period	**21,292**	**8,433**	**(508)**	**254**	**(13,834)**	**15,637**
Total assets	**2,014,167**	**119,440**	**18,228**	**71,769**	**(229,743)**	**1,993,861**
Total liabilities	**962,234**	**90,698**	**13,944**	**4,923**	**(137,792)**	**934,007**
Net financial debt	**(109,751)**	**6,543**	**(3,338)**	**8,027**	**0**	**(98,519)**

First half of 2019

(thousands of euros)	Air navigation services	Maintenance services	Other sectors	Consolidation adjustments/ reclassification	ENAV Group
Revenues from third parties	419,717	1,041	1,235	0	421,993
Intersegment revenues	1,321	48,098	1	(49,420)	0
Total revenues	**421,038**	**49,139**	**1,236**	**(49,420)**	**421,993**
Personnel costs	(216,886)	(31,964)	(9)	0	(248,859)
Other net costs	(91,873)	(8,781)	(915)	48,168	(53,401)
Total operating costs	**(308,759)**	**(40,745)**	**(924)**	**48,168**	**(302,260)**
Depreciation and amortisation	(70,062)	(972)	(57)	1,524	(69,567)
Writedowns and provisions	(899)	305	(2)	0	(596)
EBIT	**41,318**	**7,727**	**253**	**272**	**49,570**
Financial income and expense	8,245	(42)	(45)	(10,767)	(2,609)
Income before taxes	**49,563**	**7,685**	**208**	**(10,495)**	**46,961**
Income taxes	(10,358)	(2,331)	(70)	(79)	(12,838)
Net profit (loss) for the year	**39,205**	**5,354**	**138**	**(10,574)**	**34,123**
Total assets	**2,035,827**	**114,900**	**69,358**	**(211,778)**	**2,008,307**
Total liabilities	**966,639**	**89,414**	**4,169**	**(122,127)**	**938,095**
Net financial debt	**(44,306)**	**(3,473)**	**9,237**	**0**	**(38,542)**

33. Related parties

ENAV Group related parties were identified in accordance with the provisions of IAS 24 *Related-party disclosures* and are involved in transactions carried out in the interest of the Group, are part of ordinary operations and are settled on market terms and conditions unless otherwise indicated. On 12 December 2018, the Board of Directors of the Parent Company, having obtained a favourable opinion of the Control, Risks and Related Parties Committee, approved the “Procedure governing related-party transactions” carried out by the Parent Company directly and/or through its subsidiaries, in conformity with Article 2391-bis of the Civil Code and in compliance with the principles dictated by the “Regulation containing provisions on related-party transactions” approved with Consob Resolution no. 17221 of 12 March 2010 as amended.

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

The following below report the balance of the income statement and statement of financial position resulting from Group transactions with related entities outside the Group, including those with directors, statutory auditors and key management personnel for the first half of 2020 and for 2019 for figures in the statement of financial position and the first half of 2019 for figures in the income statement, respectively.

	1st Half 2020						
	Trade receivables and other current and non-current assets	Current and non-current financial assets	Cash and cash equivalents	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for leases and rentals
External related parties							
Ministry for the Economy and Finance	4,924	0	1,074	79,935	4,924	0	0
Ministry of Infrastructure and Transport	91,743	0	0	0	17,301	0	0
Enel Group	0	0	0	470	0	2,798	0
Leonardo Group	605	10,658	0	5,358	46	1,162	0
Other external related parties	0	0	0	61	51	345	23
Balance in financial statements	**243,844**	**36,155**	**218,255**	**276,908**	**376,855**	**61,398**	**1,075**
Related parties as % of balance in financial statements	*39.9%*	*29.5%*	*0.5%*	*31.0%*	*5.9%*	*7.0%*	*2.1%*

(thousands of euros)

	Balance at 31.12.2019				1st Half 2019		
	Trade receivables and other current and non-current assets	Current and non-current financial assets	Cash and cash equivalents	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for leases and rentals
External related parties							
Ministry for the Economy and Finance	12,114	0	535	77,515	6,198	0	0
Ministry of Infrastructure and Transport	79,459	0	0	0	17,903	0	0
Enel Group	0	0	0	597	0	2,473	0
Leonardo Group	684	10,658	0	17,644	60	1,386	0
Other external related parties	0	0	0	63	35	202	2
Balance in financial statements	**277,779**	**36,067**	**449,268**	**281,582**	**448,074**	**64,460**	**1,000**
Related parties as % of balance in financial statements	*33.2%*	*29.6%*	*0.1%*	*34.0%*	*5.0%*	*6.0%*	*0.0%*

(thousands of euros)

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

- transactions with the MEF involve receivables and revenue streams connected with the refund of charges for services provided by the Parent Company for exempt flights and charged to the MEF in accordance with European and Italian law, and payables for the amounts collected by the Parent Company relating to the portion attributable to the Italian Air Force for en-route charges. Following approval of the Parent Company’s financial statements, this payable is used to offset the receivable position. Cash and cash equivalents regard a bank account opened by the Parent Company with the Bank of Italy;
- transactions with the MIT regard receivable and revenue relationships associated with both an operating grant intended to cover the costs incurred by the Parent Company to ensure the safety of systems and operations pursuant to Article 11-*septies* of Law 248/05, and capital grants as part of the Infrastructure and Networks NOP recognised previously following the resolution of the managing authority of the Networks and Mobility NOP and since 2018 on the basis of agreements with the MIT registered with the Court of Auditors. Those grants are charged to profit or loss in an amount commensurate with the amortisation of the investments to which they refer;
- transactions with the Leonardo Group mainly regard activities connected with Parent Company investments, maintenance and the acquisition of spare parts for systems and equipment for air traffic control and the financial receivable of the subsidiary Techno Sky in respect of Vitrociset;
- transactions with the Enel Group regard agreements for the supply of electricity for a number of sites;
- transactions with other related parties contain residual positions.

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

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

	1st Half 2020	1st Half 2019
Short-term remuneration payments	1,130	1,091
Other long-term benefits	0	0
Share-based payments	602	323
Total	**1,732**	**1,414**

(thousands of euros)

The Group remuneration of the Board of Auditors amounted to €119 thousand (€92 thousand in the first half of 2019).

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

34. Disclosures on the long-term incentive plan

On 28 April 2017, the ENAV S.p.A. Shareholders' Meeting approved the "*Long-term share-based incentive plan for the management of ENAV and subsidiaries*" and on 11 December 2017 the Rules of the Plan, which governs the operation of the Plan, were approved, marking the start of the Plan's first cycle. The start of the second cycle for 2018-2020 was approved by the Board of Directors on 13 November 2018. The start of the third cycle for the 2019-2021 period was approved by the Board of Directors on 15 May 2019.

The beneficiaries of the Plan are the CEO, key management personnel and a number of other managers selected from among those who hold positions with the greatest impact on the performance of the company or have strategic importance for the achievement of the Group's long-term objectives.

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

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

The incentive plan also includes a lock-up period for a portion of any shares delivered to the beneficiaries.

The performance targets are composed of the following indicators:

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

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

First cycle 2017-2019

The first cycle was completed with the approval of the financial statements at 31 December 2019. After the closure of the first half of 2020, the shares were awarded to the plan beneficiaries in accordance with the determination of the performance achieved. In the first half of 2020 a cost of €0.4 million was recognised as an adjustment of the amount recognised in 2019, while the liability, recorded in a specific equity reserve, amounted to €1.9 million.

Second cycle 2018-2020

The target was also assumed to have been reached for the second cycle of the plan, with 242,434 shares and a total fair value of €0.9 million. The second cycle envisaged 10 beneficiaries and the cost recognised for the first half was equal to €0.1 million, while the liability, recognised in a specific equity reserve, amounted to €0.7 million.

Third cycle 2019-2021

The target was also assumed to have been reached for the third cycle of the plan, with 176,545 shares and a total fair value of €0.8 million. The third cycle envisaged 8 beneficiaries and the cost recognised for the first half was equal to €0.1 million, while the liability, recognised in a specific equity reserve, amounted to €0.4 million.

35. Derivatives

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

The fair value of derivatives was a positive €180 thousand at 30 June 2020. In accordance with IFRS 13, the mark-to-market value was adjusted to also take account of the effect of non–performance risk (CVA), i.e., the risk that one of the parties will not meet its contractual commitments as the result of a possible default. From an accounting perspective, the positive or negative fair value was recognised in current/non-current financial assets/liabilities based on the contractual maturity, with a matching entry in an equity reserve.

Indeed, pursuant to IFRS 13, the fair value of a derivative must incorporate the risk that one or both counterparties may not meet their obligations (credit risk adjustment). More specifically, from the financial perspective, the Credit Valuation Adjustment (CVA) is the expected value of the loss deriving from the default of the counterparty, if the derivative has a positive fair value. Conversely, a Debit Valuation Adjustment (DVA) represents the value of the expected loss on the default of the Company if the fair value is negative.

It was not possible to identify an active market for these instruments. The fair value was therefore calculated using a method consistent with level 2 of the fair value hierarchy defined by IFRS 7 and IFRS 13. Although quotes on an active market are not available for the instruments (level 1), it was possible to find data observable directly or indirectly on the market on which the measurements could be based.

36. Assets and liabilities by maturity

(thousands of euros)	Within the next 12 months	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0	11,127	0	11,127
Deferred tax assets	0	19,901	0	19,901
Non-current tax receivables	0	24,858	0	24,858
Non-current trade receivables	0	6,727	196,839	203,566
Other non-current receivables	0	15,738	0	15,738
Total	**0**	**78,351**	**196,839**	**275,190**
Financial liabilities	19,032	241,661	81,260	341,953
Deferred tax liabilities	0	8,145	1,075	9,220
Other non-current liabilities	0	33,260	137,056	170,316
Non-current trade payables	0	26,744	0	26,744
Total	**19,032**	**309,810**	**219,391**	**548,233**

The non-current trade receivables maturing at more than 5 years regard balance recognised in the period that will be recovered in 2027.

Financial liabilities falling due after the 5th year refer to bank loans.

Other non-current liabilities maturing in more than 5 years refer to the share of capital grants recognised in line with the depreciation of the investment projects to which they refer for the amount that will be reversed to profit or loss after the fifth year.

37. Basic and diluted earnings per share

Basic earnings per share and diluted earnings per share, which both amount to €0.03 per share, are reported at the end of the income statement and are calculated by dividing the profit for the period attributable to the shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

38. Events after the reporting date

In August 2020, the long-term credit line obtained from European Investment Bank in the amount of €70 million was drawn down.

Certification of the Chief Executive Officer and the Financial Reporting Officer

Attestation of the condensed consolidated interim financial statement for the six months ended 30 June 2020 pursuant to art. 154-bis, paragraph 5, of Legislative Decree 58/1998 and art. 81-ter of Consob Regulation 11971 of 14 May 1999.

1. The undersigned Paolo Simioni, as Chief Executive Officer, and Luca Colman as Manager responsible for ENAV Spa's financial reporting, having also taken account of the provisions of art. 154 bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, hereby attest to:

   - the adequacy regarding the nature of the ENAV Group and
   - the effective application of the administrative and accounting procedures adopted in preparation of the ENAV Group's condensed consolidated interim financial statements during the period from 1 January 2020 to 30 June 2020.

2. In this regard, it should be noted that:

   - the adequacy of the administrative and accounting procedures adopted in preparation of the ENAV Group's condensed consolidated interim financial statements was verified by assessment of the internal control system over financial reporting. This assessment was conducted on the basis of the criteria contained in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission which represents an internationally accepted framework for the internal control system.
   - the assessment of the internal control system over financial reporting did not identify any material issues.

3. We also attest that:

3.1 the ENAV Group's condensed consolidated interim financial statements for the six months ended 30 June 2020:

   a) have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by Council on 19 July 2002;

   b) are consistent with the underlying accounting books and records;

   c) give a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

3.2 the Directors' Interim Report on Operations includes a reliable analysis of significant events during the first six months of the year and of their impact on the condensed consolidated interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The Interim Report on Operations also includes a reliable analysis of material related party transactions.

Rome, 29 September 2020

Chief Executive Officer	Manager responsible for financial reporting
Paolo Simioni	Luca Colman

Independent Auditor’s Report

Building a better working world

Enav S.p.A.

Interim condensed consolidated financial statements as of June 30, 2020

Review report on the interim condensed consolidated financial statements

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Enav S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes of Enav S.p.A. and its subsidiaries ("Enav Group") as of June 30, 2020. The directors of Enav S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Enav Group as of June 30, 2020 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis of Matter

We draw attention to the disclosure included in the Note "5. Use of estimates and management judgements connected with the COVID-19 pandemic" which describes the measurement methodologies and the settlement date related to revenues adjustments from *Balance* mechanism, as the measurement criteria are being modified by the regulator (European Commission). Management underlines that the judgement applied for *Balance* measurement, although characterized by significant uncertainties related to the above circumstances that may lead to different amounts, is based on the most reliable basis for the accounting estimates currently available.

Our conclusion on the interim condensed consolidated financial statements is not modified in respect of this matter.

Rome, September 30, 2020

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

This report has been translated into the English language solely for the convenience of international readers

Legal information and contacts

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Legal information

Share capital: €541,744,385.00 fully paid-up

Tax ID and enrolment number in the Company Register

of Rome: 97016000586

VAT Registration No. 02152021008

Investor Relations

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