Consolidated Interim Financial Report

as at 30 June 2019

Contents

Interim Report on Operations

Enav in figures

Performance	1st Half 2019	1st Half 2018	Change	%
Total revenues	417,298	410,991	6,307	1.5%
EBITDA	115,038	111,511	3,527	3.2%
EBITDA margin	27.6%	27.1%	0.5%	
EBIT	49,570	48,290	1,280	2.7%
EBIT margin	11.9%	11.7%	0.2%	
Profit for the year attributable to shareholders of the Parent Company	34,170	32,993	1,177	3.6%

Thousands of euros

Financial position	30.06.2019	31.12.2018	Change	%
Net capital employed	1,108,754	1,139,517	(30,763)	-2.7%
Equity attributable to attributable to shareholders of the Parent Company	1,067,595	1,137,559	(69,964)	-6.2%
Net financial debt	(38,542)	(1,958)	(36,584)	n.a.

Thousands of euros

Other indicators	1st Half 2019	1st Half 2018	Change	%
En-route service units	4,529,875	4,216,461	313,414	7.4%
Terminal service units Charging Zone 1	112,481	108,108	4,373	4.0%
Terminal service units Charging Zone 2	165,141	155,411	9,730	6.3%
Terminal service units Charging Zone 3	203,603	192,934	10,669	5.5%
Free cash flow	74,901	38,064	36,837	96.8%
Headcount at end of year	4,054	4,170	(116)	-2.8%

Corporate bodies

Board of Directors

Chairman (*)	Nicola Maione
Chief Executive Officer	Roberta Neri
Directors	Giuseppe Acierno
	Pietro Bracco (*)
	Maria Teresa Di Matteo
	Fabiola Mascardi
	Carlo Paris
	Antonio Santi
	Mario Vinzia

Control, Risks and Related Parties Committee (**)

Chairman	Antonio Santi
Member	Fabiola Mascardi
	Mario Vinzia

Remuneration and Appointments Committee (***)

Chairman	Giuseppe Acierno
Members	Pietro Bracco
	Maria Teresa Di Matteo

Sustainability Committee (****)

Chairman	Carlo Paris
Members	Pietro Bracco
	Fabiola Mascardi

Board of Auditors

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

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

Audit firm	EY S.p.A.

(*) The Shareholders' Meeting of 26 April 2019 reappointed Nicola Maione as Chairman of the Board of Directors of Enav and restored the membership of the Board with the appointment of Pietro Bracco as a director;
(**) The membership of the Committees was modified with a resolution of the Board of Directors on 15 May 2019;
(***) The Shareholders' Meeting of 26 April 2019 appointed the Board of Auditors, which will remain in office for the 2019 - 2021 period.

Business and structure of the Enav Group

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

The *air navigation services* sector is the exclusive domain of **Enav**, 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**, wholly owned by Enav, whose core business is the management and maintenance of the equipment and systems used to for national air traffic control, ensuring its full operational efficiency and uninterrupted availability around the clock.

The residual *other sectors* segment includes:

- **Enav Asia Pacific Sdn Bhd**, a Malaysian company wholly owned by Enav, which is involved in business development and the delivery of services on the non-regulated market, with particular regard to the areas of strategic interest in Southeast Asia.
- **Enav North Atlantic LLC**, which holds 9.14% of the share capital of Aireon LLC, which will rise to 11.1% post redemption. It is responsible for the implementation of the first global satellite monitoring system for air traffic control, with the aim of enabling the comprehensive surveillance of all routes worldwide, with a focus on the polar, oceanic and other remote areas currently not covered by the radar-based air traffic control services, and enabling the optimisation of routes and achieving ever higher standards of flight safety and efficiency.
- **D-Flight**, a company incorporated in November 2018 with 100% of its share capital subscribed by Enav until the entry of the industrial partnership headed by Leonardo S.p.A. with Telespazio and IDS-

Ingegneria dei Sistemi on 28 February 2019 with the subscription of the capital increase and payment of the share premium reserve in the total amount of €6.6 million. Following that transaction, 60% of D-Flight is held by the Parent Company and 40% by Leonardo, Telespazio and IDS-Ingegneria dei Sistemi 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 aircraft that fall within the unmanned aerial vehicles category.

- **Sicta Consortium in liquidation**, which was placed in voluntary liquidation with a resolution voted by all the Consortium's shareholders on 3 March 2017, with effect from 28 March 2017.

Operating environment

The first half of 2019 saw a further consolidation of traffic flows through Italy's national skies, with the result registered at the end of the period confirming the strong performance see in the first part of the year. After the remarkable performance recorded in the first quarter of 2019, when growth was substantially attributable to January (+8.3% in the number of services units (SUs)) and February (+8.6% in SUs), traffics trend in the second quarter of the year, thanks above all to performance in April (+7.7%) and June (+9.6%), produced an overall gain of 7.4% at the end of the first half of 2019 for en-route service units and one of 5.2% for the number of flights handled.

The significant growth in traffic confirms Italy as the leading provider among the major European partners in terms of increasing en-route service units.

All types of flight contributed to this excellent performance, which in the period under consideration saw increases of more than 5% in services (+5.8% for international flights and +6.9% for domestic flights). Of particular note was the increase in overflight traffic, which, after the contraction recorded in May, showed a peak increase of 14.4% in service units in June and +13.1% in the number of flights. This substantial growth, mainly attributable to the increase in short flights (less than 400km) and long flights (over 800km), was driven by the operating performance of the Parent Company in terms of capacity and service quality. In this regard, one factor has been the consolidation of the Free Route project (an innovation that allows all aircraft flying at an altitude of over 9,000 metres, regardless of whether they land or take off at Italian airports, to cross national airspace with a direct route), which also contributes to the performance achieved in terms of flight punctuality, with delays in the first half of 2019 of 0.017 minutes per flight, compared with the target of 0.11 minutes envisaged in the Performance Plan. It should be noted that the Parent Company is the currently the best performing provider in the European comparator group.

With regard to the activity of carriers at domestic airports, low-cost companies continued to play a central role in the first half of 2019, with the top seven representing more than 32% of the total number of service units generated during the period.

The growth in traffic also produced a concomitant increase in revenues from charges, which showed overall growth both compared with the first half of 2018 (+3.5%) and the budget target for the period (+3.0%). The increase in revenues from charges helped mitigate the effects on operations of the reduction in charges net of balances (determined unit cost, or DUC) levied in 2019 and provided for in the National Performance Plan (-4%), as well as the contraction of revenues from the non-regulated market, which were affected by a general slowdown in activity.

More specifically, in the first half of 2019, the significant increase in traffic and en-route service units resulted in the so-called dead band being exceeded (-/+2%), as the difference between the number of actual service units generated and the forecasts in the Performance Plan was equal to +2.38%. At the same time, this positive difference in the first half of 2019 produced a decrease in the balance items connected with the application of the traffic risk mechanism provided for within the EU regulatory framework (balances reimbursed to carriers). Note that in the actual performance figures for the corresponding period of the previous year, the balance items related to traffic risk had no effect, as the difference between the Performance Plan forecast and the actual final balance fell within the dead band.

External costs also declined in the first half of 2019, partly attributable to the general reduction in support services provided by external companies and partly to the decline in the involvement of the activities of the subsidiary Techno Sky in the development of the Parent Company's investments. The reduction in external costs is also attributable to the effect of the application of IFRS 16, in effect since 1 January 2019, as a result of differences in the way leases costs are recognised in profit or loss, which shows an increase in depreciation attributable to right-of-use assets and a reduction in costs for leases and rentals, which had been recognised under the previous standard. The decrease in external costs partially offset the increase in personnel costs recorded in the first half of the year, reflecting the rise in costs associated with developments in collective bargaining at the Group's two largest companies.

From a regulatory point of view, 2019 represents the last year of the second reference period and, for this reason, the months of the first half of the year were marked by a series of activities that the Commission and the Community control bodies have undertaken in preparation for the third reference period. Among the most important of these, in February the European Commission published the new regulation on charges and performance (Implementing Regulation (EU) 2019/317) that will govern the charging scheme and the performance scheme for the 2020-2024 period. Finally, in May, the decision of the European Commission (Implementing Decision (EU) 2019/903) on the performance targets for the third reference period was published. All European providers must refer to this decision in the planning performance and charges for the coming years.

Market and air traffic developments

Air traffic control activities in the countries of the Eurocontrol area saw an increase in traffic flows in terms of en-route service units (*) in the 1st Half of 2019 compared with the same period of 2018, with Italy registering an increase of 7.4% (+8.7% in the 1st Half of 2018 compared with the 1st Half of 2017), while the overall performance of the countries participating in Eurocontrol showed a gain of 4.0%, representing a deterioration compared with the increase in the 1st Half of 2018 (+5.9%).

The major European providers registered a generalised increase in en-route service units, albeit at a lower level than Italy, which posted the best performance, followed by Spain with +6.3%, France with +4.5%, Great Britain with +3.3% and Germany with +2.6%.

Total en-route traffic service units (**)	1st Half 2019	1st Half 2018	Change n.	%
France	10,422,562	9,975,352	447,210	4.5%
Germany	7,277,058	7,093,275	183,783	2.6%
Great Britain	5,975,823	5,784,905	190,918	3.3%
Spain	5,430,447	5,110,305	320,142	6.3%
Italy (***)	4,528,609	4,215,602	313,007	7.4%
EUROCONTROL	**72,905,616**	**70,099,379**	**2,806,237**	**4.0%**

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

En-route traffic

En-route traffic in Italy in the 1st Half of 2018 registered an increase of 7.4% in the number of service units notified by Eurocontrol (the same value if the residual category *Exempt not reported to Eurocontrol* is included) and one of 5.8% in the number of flights handled (+6.1% including the residual category *Exempt not reported to Eurocontrol*).

The factors contributing to the rise in traffic flows in domestic airspace included the consolidation of the Parent Company's implementation of the Free Route project (an innovation that allows all aircraft flying at an altitude of more than 9,000 metres, regardless of whether they land or take off at Italian airports, to cross domestic airspace with a direct route, which allows carriers in transit through Italian airspace to plan shorter trajectories without constraints, saving fuel and running costs, while still ensuring the highest levels of safety), which mainly benefited overflight traffic. International air traffic connecting to European and to non-EU countries continued to increase, and there was renewed interest in domestic routes, especially those connecting the northern and southern parts of the country, which face less competition from high-speed rail. More generally, traffic volumes in geographical areas that are strategic for transit through domestic airspace, such as north-western Europe (Spain, Germany, France and Great Britain) and the Mediterranean basin (Turkey, Malta, Israel, Egypt and Tunisia) performed well. This increase in service units was achieved despite the incomplete reopening of Libyan airspace.

En-route traffic (number of flights)	1st Half 2019	1st Half 2018	Change no.	Change %
Domestic	140,394	133,782	6,612	4.9%
International	471,154	449,295	21,859	4.9%
Overflight	297,806	273,688	24,118	8.8%
Paying total	**909,354**	**856,765**	**52,589**	**6.1%**
Military	16,110	16,538	(428)	-2.6%
Other exempt	8,184	8,868	(684)	-7.7%
Total exempt	**24,294**	**25,406**	**(1,112)**	**-4.4%**
Total reported by Eurocontrol	**933,648**	**882,171**	**51,477**	**5.8%**
Exempt not reported to Eurocontrol	10,403	7,811	2,592	33.2%
Total	**944,051**	**889,982**	**54,069**	**6.1%**

En-route traffic (service units)	1st Half 2019	1st Half 2018	Change no.	Change %
Domestic	848,539	792,650	55,889	7.1%
International	1,856,373	1,752,449	103,924	5.9%
Overflight	1,753,446	1,600,789	152,657	9.5%
Paying total	**4,458,358**	**4,145,888**	**312,470**	**7.5%**
Military	64,221	63,371	850	1.3%
Other exempt	6,030	6,344	(314)	-4.9%
Total exempt	**70,251**	**69,715**	**536**	**0.8%**
Total reported by Eurocontrol	**4,528,609**	**4,215,603**	**313,006**	**7.4%**
Exempt not reported to Eurocontrol	1,266	858	408	47.6%
Total	**4,529,875**	**4,216,461**	**313,414**	**7.4%**

More specifically, the composition of en-route traffic was characterised by:

- *international commercial traffic,* a category of flights departing or arriving at an airport in Italy, in recorded gains both in terms of service units (+5.9%) and the number of assisted flights (+4.9%) the 1st Half of 2019.

  The expansion of international traffic, both in terms of service units and number of flights, was generated by the increase in medium-distance (between 350-700 km in domestic airspace) and short-distance (<350 km in domestic airspace) flights of 7% and 5% respectively in terms of service units.

With regard to flight routes by continent, the strong performance of connections between Italy and the rest of Europe (+4.8% in SUs), representing about 78% of total international traffic service units, was confirmed during the period. Connections between Italy and Asia (+8.7% in SUs), representing about 10% of total international traffic service units, also increased, as did those between Italy and Africa (+17% in SUs), for around 6% of total international traffic service units. This was connected with a strong revival in traffic flows to Egypt. Connections between Italy and the American continent also increased (+6.4% in SUs);

- *commercial overflight traffic,* a category that includes flights that only cross through domestic airspace, recorded a significant increase in service units (+9.5%) and the number of assisted flights (+8.8%) in the 1st Half of 2019. This was due to the good performance of the intermediate flight segment (between 400-800 km in domestic airspace), which showed an increase of 18% in service units, representing expansion across all the major flight routes.

  A general analysis of departure/destination areas shows that connections between European countries performed well (+9.8% in SUs and +8.6% in number of flights), representing about 53% of the total overflight traffic, as did Europe-Africa connections (+6.0% in SUs and +7.2% in number of flights), representing around 23% of total service units. There was also an increase in Europe-Asia connections (+14.6% in SUs and +13.9% in number of flights), for about 16% of total service units;
- *domestic commercial traffic* posted an increase of +7.1% in service units and of +4.9% in the number of assisted flights in the 1st Half of 2019. These figures point to a recovery by airlines on domestic routes with the increase in long-distance flights (>700 km in domestic airspace) that connect the northern and southern parts of the country, leading to an increase of +11.6% in service units and of +10.6% in the number of assisted flights. In particular, there was a significant increase in traffic along routes passing through airports in Lombardy, mainly Milan Malpensa airport, directed towards major southern destinations such as Catania, Palermo, Lamezia and Bari;
- *exempt traffic* is divided into: i) *exempt traffic reported by Eurocontrol*, which increased by 0.8% in terms of service units and decreased by 4.4% in terms of the number of assisted flights. The latter figure is mainly due to the decline in military activity and flights by aircraft weighing less than two tonnes; and ii) *exempt traffic not reported to Eurocontrol*, which accounts for only a residual proportion of revenues, posted an increase of 47.6% in service units and one of 33.2% in the number of assisted flights.

With regard to the traffic of carriers operating in domestic airspace, low-cost airlines continued to drive the expansion in air traffic in the 1st Half of 2019. Among the major companies operating in Italian domestic airspace, Ryanair posted an increase of 6.2% in service units, as did Easyjet (+13.3% in SUs), Vueling (+5.6% in SUs), Wizz Air (+8.7% in SUs) and Volotea (+10.6% in SUs), which together represent more than 32% of the total service units generated during the period. There was an increase along Middle Eastern routes by traditional carriers, such as Turkish Airlines (+11.5% in SUs) and Emirates (+9.7% in SUs). Other traditional carriers, such as Lufthansa (+5.0% in SUs), Air France (+3.9% in SUs) and British Airways (+3.2% in SUs) also expanded their activity. Alitalia also registered increases of 2.4% in service units and 3.7% in the number of flights.

Terminal traffic

In the 1st Half of 2019, terminal traffic reported by Eurocontrol, which includes departures and arrivals within 20 km of the runway, grew by 5.4% in terms of service units and 4.5% in terms of the number of assisted flights.

Terminal traffic			**Change**	
(number of flights)	**1st Half 2019**	**1st Half 2018**	**no.**	**%**
Domestic				
Chg. Zone 1	24,939	24,031	908	3.8%
Chg. Zone 2	31,176	28,642	2,534	8.8%
Chg. Zone 3	80,402	77,478	2,924	3.8%
Total domestic flights	**136,517**	**130,151**	**6,366**	**4.9%**
International				
Chg. Zone 1	50,301	48,628	1,673	3.4%
Chg. Zone 2	90,892	87,418	3,474	4.0%
Chg. Zone 3	93,024	87,540	5,484	6.3%
Total international flights	**234,217**	**223,586**	**10,631**	**4.8%**
Paying total	**370,734**	**353,737**	**16,997**	**4.8%**
Exempt				
Chg. Zone 1	38	54	(16)	-29.6%
Chg. Zone 2	439	444	(5)	-1.1%
Chg. Zone 3	9,626	10,367	(741)	-7.1%
Total exempt flights	10,103	10,865	(762)	-7.0%
Total reported by Eurocontrol	**380,837**	**364,602**	**16,235**	**4.5%**
Exempt not reported to Eurocontrol				
Chg. Zone 1	2	0	2	n.a.
Chg. Zone 2	154	196	(42)	-21.4%
Chg. Zone 3	5,796	4,992	804	16.1%
Total exempt flights not reported to Eurocontrol	**5,952**	**5,188**	**764**	**14.7%**
Total by Chg. Zone				
Chg. Zone 1	75,280	72,713	2,567	3.5%
Chg. Zone 2	122,661	116,700	5,961	5.1%
Chg. Zone 3	188,848	180,377	8,471	4.7%
Total	**386,789**	**369,790**	**16,999**	**4.6%**

Terminal traffic (service units)	1st Half 2019	1st Half 2018	Change no.	Change %
Domestic				
Chg. Zone 1	31,182	29,970	1,212	4.0%
Chg. Zone 2	37,190	33,963	3,227	9.5%
Chg. Zone 3	92,509	88,634	3,875	4.4%
Total domestic SUs	**160,881**	**152,567**	**8,314**	**5.4%**
International				
Chg. Zone 1	81,236	77,997	3,239	4.2%
Chg. Zone 2	127,750	121,225	6,525	5.4%
Chg. Zone 3	107,040	99,438	7,602	7.6%
Total international SUs	**316,026**	**298,660**	**17,366**	**5.8%**
Paying total	**476,907**	**451,227**	**25,680**	**5.7%**
Exempt				
Chg. Zone 1	63	141	(78)	-55.3%
Chg. Zone 2	188	205	(17)	-8.3%
Chg. Zone 3	3,599	4,471	(872)	-19.5%
Total exempt SUs	**3,850**	**4,817**	**(967)**	**-20.1%**
Total reported by Eurocontrol	**480,757**	**456,044**	**24,713**	**5.4%**
Exempt not reported to Eurocontrol				
Chg. Zone 1	0	0	0	0.0%
Chg. Zone 2	13	18	(5)	-27.8%
Chg. Zone 3	455	391	64	16.4%
Total exempt SUs not reported to Eurocontrol	**468**	**409**	**59**	**14.4%**
Total by Charging Zone				
Chg. Zone 1	112,481	108,108	4,373	4.0%
Chg. Zone 2	165,141	155,411	9,730	6.3%
Chg. Zone 3	203,603	192,934	10,669	5.5%
Total	**481,225**	**456,453**	**24,772**	**5.4%**

Overall, the performance for the 1st Half of 2019, compared with the same period of the previous year, shows general growth for all three charging zones, both in terms of service units and number of assisted flights. In particular:

- Charging Zone 1, represented by Rome Fiumicino airport, posted an increase of 4.0% in terms of service units and 3.5% in the number of assisted flights in the 1st Half of 2019, thanks to the strong performance of both international and domestic traffic. This airport which has been especially impacted by the situation of Alitalia since it accounted for about 41% of the service units generated for the period, benefitted from the expansion in the carrier’s operations, which increased by 3.9% for both service units and assisted flights;
- Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted an increase in both service units (+6.3%) and assisted flights (+5.1%), thanks above all to the performance of the airports of Milan Malpensa (+10.2% in SUs), Venice

Tessera (+5.4% in SUs) and Bergamo Orio al Serio (+3.8% in SUs). This charging zone was less affected by the situation of Alitalia, which represents 13% of service units;

- Charging Zone 3 registered gains in both service units (+5.5%) and number of assisted flights (+4.7%). These results reflect the good performance of the main airports present in this charging zone, including the airports of Naples (+8.9% in SUs), Bologna (+9.0% in SUs), Catania (+6.7% in SUs), Palermo (+9.3% in SUs), Bari (+12.1% in SUs) and Cagliari (+15.0% in SUs). For this charging zone as well, Alitalia's positive performance led to increases in both service units (+2.1%) and number of assisted flights (+1.6%). As with Charging Zone 2, the impact was still relatively small, considering that Alitalia's operations account for about 14% of total service units generated in this charging zone.

As for the various traffic components, as already noted for en-route traffic, both international and domestic traffic registered increases due to the significant rebound in domestic traffic during the period, which generated increases in service units (5.4%) and in assisted flights (+4.9%).

Performance and financial position of the Group

Definition of alternative performance measures

In addition to the financial data required by the International Financial Reporting Standards and in line with the Guidelines (no. 2015/1415) issued on 5 October 2015 by the European Securities and Markets Authority (ESMA), the Enav Group uses a number of measures derived from the IFRS data to provide management with an additional metric for evaluating the performance achieved by the Parent Company and its subsidiaries, as well as ensuring greater comparability, reliability and understanding of financial information.

The following alternative performance measures are used:

- **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 net of deferred tax 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 consolidated income statement, statement of financial position and statement of cash flows, the statement of net financial position and the key economic and financial indicators used by management to monitor performance are reported below.

Reclassified consolidated income statement

(thousands of euros)	1st Half 2019	1st Half 2018	Change Amount	Change %
Revenues from operations	429,244	417,147	12,097	2.9%
Balance	(29,814)	(24,026)	(5,788)	24.1%
Other operating income	17,868	17,870	(2)	0.0%
Total revenues	**417,298**	**410,991**	**6,307**	**1.5%**
Personnel costs	(248,859)	(244,295)	(4,564)	1.9%
Capitalised costs	12,979	16,116	(3,137)	-19.5%
Other operating expenses	(66,380)	(71,301)	4,921	-6.9%
Total operating costs	**(302,260)**	**(299,480)**	**(2,780)**	**0.9%**
EBITDA	**115,038**	**111,511**	**3,527**	**3.2%**
EBITDA margin	**27.6%**	**27.1%**	**0.5%**	
Net amortisation of investment grants	(64,872)	(64,536)	(336)	0.5%
Writedowns, impairment (reversal of impairment) and provisions	(596)	1,315	(1,911)	n.a.
EBIT	**49,570**	**48,290**	**1,280**	**2.7%**
EBIT margin	**11.9%**	**11.7%**	**0.2%**	
Financial income/(expense)	(2,609)	(1,923)	(686)	35.7%
Income before taxes	**46,961**	**46,367**	**594**	**1.3%**
Income taxes for the period	(12,838)	(13,374)	536	-4.0%
Profit (loss) for the period	**34,123**	**32,993**	**1,130**	**3.4%**
Profit (loss) for the period attributable to shareholders of the Parent Company	34,170	32,993	1,177	3.6%
Profit (loss) for the period attributable to non-controlling interests	(47)	0	(47)	n.a.

Revenues from operations amounted to €429.2 million, an increase of 2.9% compared with the corresponding period of the previous year. They consisted of €425.1 million in revenues from the Parent company's core business (+3.5% compared with the 1st Half of 2018) and €4 million in revenues for activities carried out by the Group on the non-regulated market, a decrease of €2.3 million compared with the 1st Half of 2018. The increase in revenues from core business reflects the rise in both en-route revenues and terminal revenues owing to the good performance of air traffic during the period. En-route revenues amounted to €310.1 million, an increase of 2.9% compared with the same period of 2018, due to the 7.5% rise in service units generated during the period, involving all three types of air traffic, which made it possible to offset the 2.5% reduction in the charge for 2019 (€77.96 in 2019 vs €79.98 in 2018), or a 4% reduction if we consider only charges excluding balances.

Commercial *terminal revenues* amounted to €108.8 million, up 5.8% compared with the corresponding period of 2018, due to the increase of 5.7% in service units generated at individual airports broken down by charging zones, offsetting the reduction in the terminal charges applied in Charging Zones 2 and 3.

In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted an increase in assisted air traffic, expressed in service units, of 4.1% compared with the 1st Half of 2018, with positive performance seen in both domestic and international traffic. The terminal charge for 2019 amounts to €190.69, an increase of 1.81% compared with the €187.30 in 2018. *Charging Zone 2*, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted an increase in assisted air traffic, expressed in service units, of 6.3% compared with the 1st Half of 2018, with growth concentrated in domestic traffic, offsetting the reduction of 2.71% in the terminal charge for 2019 to €197.56 (€203.06 in 2018). *Charging Zone 3*, which comprises 40 medium- and low-traffic airports recorded an increase in assisted air traffic, expressed in service units, of 6.1%, with positive performance in both domestic and international traffic, which offset the 0.37% reduction in the terminal charge for 2019 to €318.98 (€320.18 in 2018).

Revenues from the non-regulated market amounted to €4 million, down €2.3 million compared with the 1st Half of 2018, mainly due to the decrease in activity on the project to construct the new control tower at Mitiga airport in Libya and to complete the restructuring of the airspace in the United Arab Emirates. Revenues from the non-regulated market also include those for domestic and international radio-assistance control services, training activities and consulting services, mainly in foreign markets.

The *adjustment component for balances*, an integral part of revenues from operations for the Parent Company, had a negative impact of €29.8 million on revenues, an increase of €5.8 million compared with the 1st Half of 2018, mainly due to the recognition of the balance for the period of a negative €4.5 million, compared with a positive €0.7 million recorded in the 1st Half of 2018. In particular, with regard to the en-route balance, the traffic balance reimbursed as a result of the increase in service units generated in the 1st Half of 2019 was higher than the figure set out in the performance plan, for a change of +2.38%. This exceeds the range of -/+2% that is borne by service providers, therefore requiring the recognition a traffic balance reimbursed to carriers. The balance for terminal charges in Charging Zone 2 was also negative, having recorded a final balance with an increase in service units, compared with the planned figure in the performance plan of 11.46%. There was an increase of €25.4 million in balances recorded in previous years and incorporated in the 2019 charge and, therefore, in profit or loss (€0.7 million more than in the 1st Half of 2018).

Operating costs totalled €302.2 million, an increase of 0.9% compared with the same period of the previous year. The various components of the item displayed divergent trends, with personnel costs rising by 1.9%, other operating costs declining by 6.9% and revenues from capitalised costs falling 19.5% due to a decrease in the in-house implementation of investment projects by the Techno Sky subsidiary.

Personnel costs totalled €248.9 million, an increase of 1.9% owing to the effects of the Parent Company's contract renewal, the harmonisation of the collective bargaining agreement at the Techno Sky subsidiary with the collective bargaining agreement for the air transport sector with effect as of 1 January 2019 and of the agreement for the 2019 summer season signed with the trade unions in April 2019 in order to ensure that all necessary actions can be taken in the June-September period to handle the increase in traffic and temporary decreases in operating personnel so as to manage operations while guaranteeing safety and on-time performance. More specifically, fixed remuneration fell by 0.2% owing to the reduction of the Group's workforce by 118 employees on average and 116 in effective terms, compared with the corresponding period of 2018, bringing the workforce to 4,054 at the end of the 1st Half of 2019 (4,170 employees in the 1st Half of 2018). There was a net increase of 10.2% in variable remuneration, reflecting the effects of the 2019 summer season agreement, of holiday entitlement accrued and not taken owing to the decline in the use of that entitlement during the period and of the cost connected with indemnities for holidays falling on non-business days, which involved 3 days during the period compared with just 1 day in the 1st Half of 2018. Social security contributions rose by 3.4% as a result of the increase in remuneration noted above, while other personnel costs fell by 27.6% due to the €1 million decrease in the cost of early retirement incentives for employees who left during the period (€2.2 million in the 1st Half of 2018).

Other operating expenses amounted to €66.4 million, a decrease of 6.9% compared with the 1st Half of 2018, with a general decline in various cost items, including costs for the purchase of the materials needed to restructure and modernise domestic and international airports and the maintenance costs for the reduced activities conducted by the Techno Sky subsidiary, the 2.4% reduction in costs for utilities and telecommunications services, mainly for the data connections of the E-NET network as a result of the decommissioning of older circuits and a discount from the supplier, and a reduction of 9.5% in costs for professional services as a result of the decline in the recourse to external professionals, and the reduction of €1.5 million in costs for leases and rentals. This decrease is mainly attributable to the application of IFRS 16 starting 1 January 2019, which eliminates the costs of vehicle rental and leasing fees, which were classified as right-of-use assets under property, plant and equipment and impact profit or loss through depreciation charges.

These figures generated an increase in EBITDA of 3.2% compared with the 1st Half of 2018, reaching €115 million, with an EBITDA margin of 27.6%, up 0.5% on the same period of 2018.

Depreciation and amortisation, net of investment grants, increased by 0.5% mainly due to the depreciation of rights of use.

The writedown of receivables had a negative impact in the first half of 2019 due to the insolvency of a number of carriers, partly offset by the use of provisions for risks following settlement of a number of disputes that had an overall negative impact of €0.6 million. By contrast the impact in the first half of 2018 was a positive €1.3 million thanks to the closure of a number of disputes with suppliers and employees.

EBIT increased by 2.7% to €49.6 million. The EBIT margin at the end of the 1st Half of 2019 was 11.9%, an improvement of 0.2% on the same period of 2018.

Financial income and expense show net expense of €2.6 million, a deterioration of €0.7 million compared with the 1st Half of 2018, mainly due to higher financial expense related to the discounting of balances, which in the 1st Half of 2018 generated financial income, to the discounting of non-current receivables and to financial expense accrued on liabilities associated with rights of use.

Income taxes for the period amounted to €12.8 million, a decrease of €0.5 million compared with the 1st Half of 2018, mainly owing to the deferred tax effects.

As a result of the foregoing, net profit for the period pertaining to the shareholders of the Parent Company came to €34.2 million, an increase of 3.6% compared with the first six months of 2018. The portion pertaining to non-controlling interests, who took a stake in the share capital of D-Flight at the end of February 2019, amounted to a loss of €47 thousand.

Reclassified statement of financial position

(thousands of euros)	**30.06.2019**	**31.12.2018**	**Change**
Property, plant and equipment	975,197	1,000,063	(24,866)
Intangible assets	123,087	122,368	719
Investments in other entities	63,181	60,306	2,875
Non-current trade receivables and payables	(12,062)	(16,394)	4,332
Other non-current assets and liabilities	(102,230)	(113,258)	11,028
Net non-current assets	**1,047,173**	**1,053,085**	**(5,912)**
Inventories	61,261	61,001	260
Trade receivables	300,255	268,076	32,179
Trade payables	(124,600)	(126,122)	1,522
Other current assets and liabilities	(132,132)	(74,714)	(57,418)
Assets held for sale net of related liabilities	1,420	1,458	(38)
Net working capital	**106,204**	**129,699**	**(23,495)**
Gross capital employed	**1,153,377**	**1,182,784**	**(29,407)**
Employee benefit provisions	(54,391)	(52,280)	(2,111)
Provisions for risks and charges	(2,537)	(2,707)	170
Deferred tax assets net of liabilities	12,305	11,720	585
Net capital employed	**1,108,754**	**1,139,517**	**(30,763)**
Shareholders' equity attributable to Parent Company shareholders	1,067,595	1,137,559	(69,964)
Shareholders' equity attributable to non-controlling interest	2,617	0	2,617
Shareholders' equity	**1,070,212**	**1,137,559**	**(67,347)**
Net financial debt	38,542	1,958	36,584
Total funding	**1,108,754**	**1,139,517**	**(30,763)**

Net capital employed amounted to €1,108.7 million, a decrease of €30.8 million compared with 31 December 2018, reflecting changes in the following items.

Net non-current assets of €1,047.2 million decreased by €5.9 million compared with 31 December 2018, due to: i) the net decrease of €24.9 million in property, plant and equipment as a result of the recognition of higher depreciation on investments under construction during the period, which offset the effect of the recognition of leases in accordance with IFRS 16, in force since 1 January 2019, in the amount of €10.9 million; ii) an increase of €2.9 million in investments in other entities, mainly reflecting the adjustment of the investment in Aireon to fair value*;* iii) the reduction in non-current trade receivables and payables of €4.3 million as a result of the decrease in both receivables and payables for balances mainly owing to the reclassification to current trade payables of the portion that will be included in charges and in profit or loss in 2020; iv) an increase of €11 million in other non-current assets and liabilities, due to the recognition of the receivable for the 2014 call of the CEF, which will be collected no sooner than 2022.

Net working capital amounted to €106.2 million, a decrease of €23.5 million compared with 31 December 2018. The main changes related to: i) the increase of €32.2 million in trade receivables, including the receivable from Eurocontrol of €53.7 million, due to the increase in turnover in May and June 2019 connected with the uptick in traffic compared with the final two months of 2018; the €15 million grant for system and operational security recognised on an accruals basis at 30 June 2019; the €28 million decrease in receivables for balances due to the reversal to profit or loss of the portion attributable to the 1st Half of 2019 and included in the charges for the same period; ii) the change in other current assets and liabilities, which resulted in a net increase in liabilities of €57.4 million relating to the reduction in other assets in the amount of €5.6 million, mainly due to the receipt of the portion for the 4-Flight project at the Brindisi Area Control Centre funded under the 2014-2020 NOP and the interim payment on the project financed through the 2015 call of the CEF, in addition to the reclassification of the receivable for the 2014 call of the CEF to other non-current assets; a decrease in tax receivables mainly due to the receipt of the VAT receivable in the amount of €7 million in the form of a reimbursement; the increase in other liabilities relating to the increase in the payable due to the Italian Air Force and to ENAC for the portion of receivables collected in respect of en-route and terminal charges for the period, net of payments made in the 1st Half of 2019 for a total of €27 million; tax and social security payables in the amount of €21.3 million due to the increase in social security contributions and personal income tax (IRPEF) owed on the "fourteenth month's salary" paid to employees in June, in addition to the provisions for employees for contribution portion; and to the provisions for employees recognised on an accruals basis in the 1st Half of 2019 amounting to €3.2 million.

Net capital employed also reflected the employee benefits provision in the amount of a negative €54.4 million, which decreased by €2.1 million, mainly as a result of the actuarial loss recognised in 30 June 2019, and the provisions for risks and charges of €2.5 million and receivables for deferred tax assets and liabilities in the net positive amount of €12.3 million.

Shareholders' equity amounted to €1,070.2 million, a net decrease of €67.3 million compared with 31 December 2018. With regard to shareholders' equity pertaining to the shareholders of the Parent Company, the change amounted to a negative €69.9 million primarily because of the payment of the dividend of €108 million and the recognition of the actuarial loss of €2.8 million, net of tax effects. These negative effects were mainly offset by the recognition of the reserve for the fair value adjustment of the investment in Aireon and the profit for the period of €34.2 million. There was an increase in shareholders' equity pertaining to non-controlling interests of €2.6 million relating to the 40% stake held by third parties in D-Flight. On 28 February 2019 the industrial partnership initially established by Leonardo S.p.A., Telespazio S.p.A. and IDS - Ingegneria dei Sistemi S.p.A. (now just Leonardo and Telespazio) through the special purpose vehicle UTM System & Services S.r.l. subscribed the capital increase with a share premium for D-Flight, in accordance with the obligations set out in the framework agreement for a total of €6.6 million. The remaining 60% is held by the Parent Company.

Net financial debt amounted to €38.5 million, an increase of €36.6 million compared with 31 December 2018, as shown in the following table:

(thousands of euros)	**30.06.2019**	**31.12.2018**	**Change**
Cash and cash equivalents	284,657	316,311	(31,654)
Current financial receivables	9,014	9,007	7
Current financial debt	(16,702)	(14,924)	(1,778)
Current financial debt for IFRS 16 lease liabilities	(2,406)	0	(2,406)
Net current financial position	**274,563**	**310,394**	**(35,831)**
Non-current financial receivables	24,933	24,901	32
Non-current financial debt	(330,503)	(337,253)	6,750
Non-current financial debt for IFRS 16 lease liabilities	(7,535)	0	(7,535)
Non-current financial debt	**(313,105)**	**(312,352)**	**(753)**
Net financial debt	**(38,542)**	**(1,958)**	**(36,584)**

Net financial debt at 30 June 2019 decreased by €36.6 million as a result, on the one hand, the effect of developments in receipts and payments connected with ordinary operations, which generated a positive cash flow, in addition to funding totalling €17 million received for NOP and European financed projects and the liquidity contributed by D-Flight in the amount of €6.6 million, and on the other, the payment of the dividend of €108 million, the payment of €11.4 million to the Italian Air Force for the portion of terminal collections pertaining to it and the payment of the balance and the first instalment of the payment on account of current taxes in the amount of €7.5 million and the financial liability recognised following adoption of IFRS 16 in the amount of €9.9 million.

Consolidated statement of cash flows

(thousands of euros)	1st Half 2019	1st Half 2018	Change
Cash flow generated/(absorbed) by operating activities	106,956	76,431	30,525
Cash flow generated/(absorbed) by investing activities	(32,055)	(38,367)	6,312
Cash flow generated/(absorbed) by financing activities	(106,590)	(119,140)	12,550
Cash flow for the period	**(31,689)**	**(81,076)**	**49,387**
Cash and cash equivalents at the beginning of the period	**317,716**	**264,275**	**53,441**
Exchange rate difference on cash	20	10	10
Cash and cash equivalents at end of the period	**286,047**	**183,209**	**102,838**
Free cash flow	**74,901**	**38,064**	**36,837**

Cash flows from operating activities generated in the 1st Half of 2019 amounted to €106.9 million, up €30.5 million compared with the corresponding period of the previous year. This flow reflected the reduction in tax receivables as a result of the collection of the VAT receivable of €7 million, the decrease in receivables due for projects financed following collection of a part of the receivables for NOP 2014-2020 funded projects and of the interim payment connected with the 2015 call of CEF, and an increase in tax and social security payables owing to the increase in costs associated with the "fourteenth month's salary" to be paid in July. Other current liabilities also shows an increase in the payable to the Italian Air Force and to ENAC for their portions of en-route and terminal charges collected that were recognised in the 1st Half of the year. This was higher than in the corresponding period of 2018 due to the increased traffic and collections recognised in the 1st Half of 2019. This flow also reflected the decrease in current and non-current trade payables, which was €3 million greater than in the 1st Half of 2018 owing to a decline in trade payables during the period and to the reduction in the payable for balances due to the increase in those reflected in charges in 2019.

Cash flows from investing activities in the 1st Half of 2019 absorbed cash in the amount of €32 million, down compared with the figure for the corresponding period of 2018, when it amounted to €38.4 million in cash absorbed. This change it largely due a decrease in capital expenditure during the period and to the receipt of the first instalment payment of the receivable recognised on the sale of the Academy complex in June 2018.

Cash flows from financing activities absorbed cash in the amount of €106.6 million, a decrease of €12.5 million compared with the 1st Half of 2018, as a result of a decline in loan repayments, which led to a decrease in liquidity outflows of €11.6 million following the extinguishment of two loans at the end of 2018 and of the paying-up of D-Flight's share capital (with a premium) totalling €6.6 million by UTM System & Services S.r.l. in accordance with its obligations under the framework agreement. These effects were only partially offset by the increase in the dividend distributed in 2019 in the amount of €6.9 million.

Free cash flow amounted to a positive €74.9 million, benefiting from the cash flow generated by operating activities, which fully covered the cash flow absorbed by investing activities.

Other information

Purchase of treasury shares

The Shareholders' Meeting of 28 April2018 authorised, subject to revocation of the previous authorisation pursuant to the resolution of the Shareholders' Meeting of 28 April 2017, the Board of Directors to purchase and dispose of treasury shares of Enav, in compliance with applicable regulations, for the following purposes: i) to implement the remuneration policies adopted by Enav and specifically to satisfy the obligations deriving from share option 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 carry out medium/long-term investments on the market, also with a view to acquire lasting equity interests, or to enable the company to seize opportunities to maximize value from market developments. A maximum of 1,200,000 shares may be purchased. At 30 June 2019 Enav held 1,200,000 treasury shares equal to 0.22% of share capital with a value of €4,973 thousand.

Transactions with related parties

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

Related-party transactions conducted by the Enav Group in the first half of 2019 essentially involved services that were provided as part of ordinary operations and settled on market terms and conditions, as described in more detail in Note 33 of the 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, Enav established, with effect from the date of the admission of the company's shares to trading on the Mercato Telematico Azionario organised and operated by Borsa Italiana, a procedure governing related-party transactions approved by the Board of Directors on 21 June 2016. This procedure was updated and amended as approved by the

Board of Directors, having obtained the favourable opinion of the Control, Risks and Related-Parties Committee, on 12 December 2018. The procedure is available on the Enav website www.enav.it in the Governance section in the company documents area.

In the first half of 2019 no transactions of greater importance as identified in Annex 1 of the related-party transaction procedure were carried out. For disclosure purposes, in January 2019, Enav and Techno Sky signed a new contract concerning the "operation and maintenance of systems serving air navigation services as well as plant and systems not involved in operating functions" for 2019 – 2022 at all Enav sites in Italy, with a total value of €297.7 million.

Risk management

The Enav Group has adopted an Enterprise Risk Management (ERM) system for the identification, assessment, control and monitoring of all types of business risks, essentially generating a detailed and comprehensive map of the risks and their interrelations, adopting a consolidated model (risk universe) which groups all the risks to which the Group is exposed into four key areas:

- Strategy;
- Operational;
- Compliance;
- Finance.

Each of these areas is structured into specific risk areas (sub-areas) to which all the Group's risks are attributable, with evaluation in terms of impacts, probabilities and control arrangements.

The constant monitoring and updating of ERM risks is one of the main activities in determining the corporate risk profile (corporate risk profile) and in the definition and management of all mitigation actions aimed at containing the level of risks within the risk propensity thresholds approved by the Board of Directors (risk appetite).

The analysis of the Strategy, Operational and Compliance areas is reported below, while readers are referred to the explanatory notes to the consolidated financial statements as at 31 December 2018 for more information on the risks in the Finance area, which have not changed.

Strategy

Social Responsibility

Pursuant to Legislative Decree 254/16, each year the Enav Group issues a Consolidated Statement of Non-Financial Information, which beginning in 2018 has been expanded into the Sustainability Report, which was developed by adopting the "Global Reporting Initiative" reporting standard. A Sustainability Plan has also been developed, which the Parent Company uses to communicate its short- to medium-term objectives to stakeholders. The plan, which builds on the various objectives for the Sustainable Development Goals (SDGs) of the United Nations, represents one of the central elements that mark the passage of sustainability from mere regulatory compliance to value creation. It also outlines a series of actions that are the result of a preliminary analysis based on different pillars: an analysis of the Group's positioning with respect to key sustainability issues; a study of other key issues facing the sector; an investigation of market trends in the area of sustainability and of the lessons offered by the best practices in the field; and consideration of the main expectations of the organisation's stakeholders.

Macro trends and cost governance

Deviations in air traffic from forecasts may impact the capacity of the Enav Group to create value, mainly in terms of changes in the parameters that determine the regulated revenues compared with the estimates made when charges are determined. The current regulatory framework already provides for compensation mechanisms for lost revenues with respect to planned levels. A system of revenue stabilisation (traffic risk sharing) has been established, based on the sharing of risk with airspace users (airlines), which can significantly limit losses due to decreases in demand of over 2%.

In line with the current performance plan, the Parent Company is required to provide services in compliance with the capacity targets set out in the national Performance Plan, applying an incentive system to promote high levels of operating performance. The scheme provides a symmetrical bonus/malus incentive system, through which the air navigation service provider is assigned greater income or a penalty, by means of the balance mechanism, commensurate with the ratio between the target assigned in the performance plan and the result achieved for each year. Although for the second reference period (2015-2019) the target is measured at the Functional Airspace Block (FAB) level, national authorities decided that the incentive system would have local implementation, justified I part by the difficulty of identifying an incentive system directly applicable to the Blue Med FAB, which is shared between the four Member States that it covers.

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

The Italian incentive system has been presented on several occasions to the European Commission, which has in fact recognised and incorporated it in the new Commission Implement Regulation (EU) 2019/317 on the performance and charging scheme, which will govern the third reference period (2020-2024).

Reflecting the complexities faced by Italy within the FAB Blue Med in managing the performance plan for the second reference period, the new regulation has removed the obligation to present a performance plan at the FAB level, leaving the Member States the option of pursuing a national or FAB approach.

Image & reputation

The creation of reputational value is a process that is implemented steadily over time, partly through the systematic management of communication and relations with stakeholders. Corporate image and reputation are factors of success for organisations which, in the conduct of their business, have to interact with customers, institutions, authorities, shareholders and other stakeholders. The issues in this area take on greater importance for companies listed on regulated markets because the community of investors is highly sensitive to events and developments capable of jeopardising that image and reputation. The events that can impact corporate image & reputation in complex organisations are multiple and varied, with different levels that, in view of the particular nature of the Parent Company, can have a direct relationship with the duty of care connected to the protection of the primary values of the legal system and interests of investors and other stakeholders.

In consideration of the market disclosure formalities required, Enav has established specific arrangements to safeguard the corporate image & reputation and continuously monitors image-relevant content available through the press, radio, TV, web and social media.

To an even greater extent following the listing of the Company, monitoring this issue involves a number of major activities, such as: i) tracking developments in the regulations governing financial communication (press releases, rules of engagement, equal access to information, use of regulated information dissemination systems); ii) forging contacts with the specialised press (economic/financial); and iii) maintaining subscriptions to specific news agencies (Reuters, Market Insight).

As far as crisis communication is concerned, the unit responsible for external communication actively monitors the most critical events, refining processes to rapidly and proactively manage communication in the event of a crisis.

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.

Operational

Safety

Ensuring the safety of the millions of passengers flying in the Italian skies is one of the fundamental elements of the Parent Company's mission. Moreover, the prevention and containment of the risks associated with the provision of our core business within acceptable limits is - in addition to being the heart of Enav's mission - vital for maintaining the necessary certification to provide air navigation services.

In view of the foregoing, the Company, using a dedicated unit and a specific Safety Management System, draws up its operational safety policies and prepares a three-year safety plan setting out the activities that the Company intends to implement in order to maintain compliance and achieve the safety targets set at the national and EU levels.

The monitoring of risk levels associated with the provision of air navigation services and verification of its consistency with security targets and tolerated levels is implemented with the use of specific indicators such as, for example: i) critical safety issues connected with runway incursions and separation minima infringements between aircraft; ii) the level of effectiveness of safety management and the continuity of air navigation services; iii) the level of functional availability of air navigation service support systems; and iv) the operational performance of Air Traffic Management/CNS systems, intervention, breakdown resolution and service restoration times.

Business continuity

The continuity and operational capacity of core business services are ensured through integrated actions in the areas of technology, human factors and processes. The Parent Company has always adopted stringent technology redundancy policies for air traffic control systems and equipment, which are covered by an extensive maintenance plan, managed in accordance with the Quality Management Systems functional to maintaining Enav's certification as an air navigation service provider. The continuity of technological functionality is also supported by specific investment plans designed to optimise the efficiency and effectiveness of supervision and preventive and corrective maintenance activities on a national scale, issues for which business impact analysis, business continuity plans and disaster recovery plan have also been developed. Security management, whether physical or logical, also plays a role in this context, contributing to the prevention and mitigation of any "external events". The technical staff involved in the maintenance and operation of the technology infrastructure, as required by the applicable European regulations, is ATSEP qualified (Air Traffic Service Electronic Personnel) and participates in periodic training sessions to maintain certification over time.

Engineering

The Enav Group has a widely distributed and technologically complex infrastructure that is constantly evolving in order to pursue its mission and provide air navigation services guaranteeing the expected levels of performance and safety required at the regulatory level. Efficient technological and infrastructure development is therefore a critical factor in guaranteeing excellent performance and achieving the objectives defined in the business plan and corporate planning. Investment planning is implemented to ensure the necessary alignment of the technological evolution of ATM systems and platforms with the new operating concepts envisaged by international regulations as well as incorporating and mapping internal investment needs.

In recent years the investment process, while ensuring technical and financial quality, has also been progressively optimised in terms of inter-functional integration, with clear benefits in overall efficiency. In addition, control over investments has been further strengthened thanks to the preparation of more efficient support processes and the implementation, in the corporate information system, of more advanced IT tools to monitor the activities in the tender phase, in conjunction with the planning and execution phases of the investment life cycle.

With regard to the rationalisation of the scope of operations, an essential step to lend the necessary effectiveness and efficiency to air traffic management in the future, the Company believes that an investment process that is increasingly flexible and responsive to external and contextual constraints is an important lever for achieving investment objectives while guaranteeing the overall technical consistency of the various initiatives. In general, investments constitute a portfolio of programmes and projects with different levels of interdependency and interference that, consequently, require a governance system that embraces the principles typical of programme and portfolio management, also with a view to enhancing the management of any changes in requirements or investment priorities.

Information security

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 differentiated internal rules and procedures for four critical levels of information. This is accompanied by coordination with the competent civilian and military authorities for the protection of operational data, in particular within the National Plan for Cybernetic Protection and Information Security and collaborative relationships with the Computer Security Incident Response Team (CSIRT Italy) and the National Anti-Crime Information Centre for the Protection of Critical Infrastructure (CNAIPIC).

Human capital

For the operation of services and the achievement of corporate objectives, human capital is a critical success factor that is preserved with the assistance of appropriate models, processes and tools for personnel assessment and development, which are also helpful in mapping needs for skills development.

The continuous improvement of knowledge, skills and technical capabilities - as well as being an operational requirement imposed by laws and regulations, compliance with which is periodically verified by external regulators - is considered as an opportunity and forms the basis of planning the overall growth of the Group, including in non-regulated activities and in meeting future technological and business challenges.

Appropriate succession tables have been established for key corporate officers based on periodic internal assessments to identify high potential resources (using online assessment techniques), also with a view to ensuring alignment between skills and corporate positions.

Sales & marketing

The development of new business sectors and the growth of the non-regulated segment represents an opportunity for the Enav Group. Achieving the growth targets set out in the Business Plan can be affected by exogenous factors over which the Group does not have control, such as the growth of the market and demand for these services or other endogenous factors.

The Enav Group has implemented effective commercial levers to consolidate existing channels and develop new products and services for the non-regulated market. This attention to the commercial side has prompted the establishment of new internal units dedicated to strengthening our capacity to develop and deliver on our contractual commitments, simultaneously expanding coordination between strategic and operational commercial planning. Business development is implemented in compliance with two risk policies. The first policy for commercial activities defines the criteria for assessing country risk and the feasibility of commercial initiatives for the purpose of prior approval by top management. The second concerns brokerage contracts, setting out guidelines for identifying and assessing the risks, essentially corruption, to which the Group may be exposed as part of its commercial development activities in the process of selecting intermediaries and brokers, and negotiating and executing contracts with the intermediaries themselves.

Environment

The Enav Group pays great attention to environmental impact and compliance with the relevant legislation. Its infrastructure undergoes periodic compliance checks and ordinary and extraordinary maintenance activities, whose efficiency is being optimised thanks to a project to digitalise the infrastructure documentation and the related obligations. Following the definition of the Environmental Policy, which contains guidelines regarding environmental issues, the development of the Group's Environmental Management System was begun. In general, the Group has established a system of delegated employer powers in environmental matters as well as personnel in charge of managing the special waste cycle, who are called upon to implement any improvement actions identified during the periodic checks of compliance with the provisions of Legislative Decree 152/06. 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.

Health & Safety

Enav and Techno Sky have OHSAS 18001-certified Occupational Health and Safety Management Systems through which, along with staff training and awareness-raising activities and the supervision of dedicated organisational units, compliance with the relevant regulations is guaranteed over time. Particular attention is also paid to measures to ensure the safety of workers operating in countries at risk (travel security). To this end, assessments of security and health and safety in the workplace are carried out in advance for individual missions, with a focus on the specific risks and health conditions of the destination country, with the issuance of specific recommendations that are evaluated by the corporate entity taking the decisions on authorising the mission.

The planning of each individual mission in higher-risk countries also includes the development of contingency plans for emergency management, as well as any training/information sessions for workers. Emergency response services are also guaranteed through specialised external organisations.

Compliance

The Parent Company constantly monitors developments in law and regulations in order to ensure timely, best-practice corporate compliance with the relevant legislative and regulatory framework and the related updating of responsibilities, processes, and organisational, governance and control systems.

Of specific interest are Regulation (EU) 1035/2011 laying down common requirements for the provision of air navigation services, Regulation (EU) 2015/340 laying down technical requirements and administrative procedures relating to air traffic controllers' licences and certificates, Regulation (EU) 679/2016 on the protection of natural persons with regard to the processing of personal data (GDPR), Legislative Decree 254/2016 on non-financial information, Legislative Decree 231/2001 on administrative liability of companies, bodies and organisations, and other legislation focusing on specific areas of the risk universe. Starting from January 2020, the common requirements for providers of air traffic management/air navigation services and other air traffic management network functions and their oversight will be those set out in Regulation (EU) 2017/373. The implementation of these new requirements has been extensively planned in coordination with the organisational units concerned with the aim of ensuring continuity of operations and compliance.

Compliance with Regulations (EU) 1035/2011 and 2015/340 is ensured using the processes set out in the Quality, Safety and Security management systems, transposing regulatory provisions into the body of corporate procedures and through appropriate audits of central organisational units and territorial structures. These activities are entrusted to the "Integrated Compliance and Risk Management" unit, whose manager, in addition to acting as Risk Manager, acts as the Quality post holder envisaged in Implementing Regulation (EU) 1035/2011 laying down common requirements for the provision of air navigation services, as the Compliance monitoring manager provided for in Implementing Regulation (EU) 2015/340 and Program Manager for "ANSP Certification" - Implementation Regulation (EU) 1035/2011, Training Organisation Certification – Regulation (EU) 2015/340, and FPDO Certification - ENAC Regulation "Instrument flight procedures".

During the early months of 2019, classroom information sessions were organised to bring the issues of the GDPR to the attention of management. Furthermore, the Data Protection Officer (DPO) also periodically reports to the Data Controller on the activities undertaken to ensure compliance with the GDPR and on the main initiatives carried out to comply with its provisions. The report on the GDPR activities is also conveyed to the Board of Directors in the Internal Audit Officer's semi-annual report.

Within regard to Legislative Decree 254/2016 on non-financial reporting, the Company published its first Sustainability Report in 2018. The establishment of the Sustainability Committee on the Board of Directors to increase the efficiency of managing sensitive sustainability issues (including the Strategic Sustainability Plan 2018-2020 the creation of the group of sustainability ambassadors, together with the integration of non-financial risks into the corporate enterprise risk management arrangements and the IT system for the integrated management of quantitative data, complete the tools available to the Group in the area of sustainability.

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

Finally, periodic staff training, communication and awareness-raising initiatives on fraud and corruption issues (offenses of relevance under the provisions of Legislative Decree 231/2001 as amended), for which Enav has adopted policies, regulations, procedures and IT tools to support sensitive processes (e.g. procurement, payments, brokerage contracts, commercial activities, selection, gifts, donations, hospitality, etc.). Furthermore, best practices in the fight against fraud and corruption are also monitoring on an ongoing basis (including through participation in associations, working groups, workshops and targeted training events) with consequent identification of improvement actions, first and foremost the development of an Anti-Bribery Management System compliant with ISO 37001.

Outlook for operations

The first half of 2019 has confirmed the trend of constant and rapid growth in traffic, with performance for the period outpacing that of the other major European providers (+7.4%).

The initial data observed in July bear out the growth observed so far and enable us to forecast a summer season characterised by the same levels of traffic growth recorded in recent months.

If this trend continues in the summer months, growth in service units for the entire year could equal the pact registered in the first half of 2019.

This growth, if confirmed at the end of the year, would enable the Parent Company to position itself slightly above (a +2.4% deviation from planned level incorporated in charges) the “dead band” with regard to the coverage of traffic risk (+/- 2% of forecast traffic), with an obvious positive impact on turnover.

No less significant will be the activities connected with preparations for the upcoming 2020 -2024 regulatory period, in particular to the finalisation of the Performance Plan with the authority, a document in which the financial/operational performance levels of the Parent Company for the next 5 years will be agreed. Negotiations are continuing in this regard, including a consultation meeting with airline representatives (so-called User Meetings) at the end of July, and the submission of the

Performance Plan to the European Commission at the end of September for final assessment. At the moment, the process is expected to be completed by the end of 2019.

Interim condensed consolidated financial statements as at 30 June 2019

Consolidated financial statements

Consolidated interim statement of financial position

ASSETS

(euros)	Notes	30.06.2019	of which related parties (Note 33)	31.12.2018	of which related parties (Note 33)
Non-current assets					
Property, plant and equipment	**7**	975,196,616	0	1,000,063,255	0
Intangible assets	**8**	123,087,316	0	122,368,136	0
Investments in other entities	**9**	63,180,726	0	60,306,404	0
Non-current financial assets	**10**	36,368,356	0	37,160,916	0
Deferred tax assets	**11**	16,774,397	0	15,793,097	0
Non-current tax receivables	**12**	24,858,353	0	24,858,353	0
Non-current trade receivables	**13**	10,841,876	0	18,447,628	0
Other non-current assets	**15**	28,724,706	16,347,242	22,109,549	22,109,549
Total non-current assets		**1,279,032,346**		**1,301,107,338**	
Current assets					
Inventories	**14**	61,261,470	0	61,000,915	0
Current trade receivables	**13**	300,254,847	51,655,006	268,075,849	43,689,022
Current financial assets	**10**	9,013,907	0	9,006,701	0
Tax receivables	**12**	16,603,795	0	27,099,269	0
Other current assets	**15**	56,031,514	32,977,328	61,617,542	35,149,610
Cash and cash equivalents	**16**	284,657,160	533,631	316,310,894	557,623
Total current assets		**727,822,693**		**743,111,170**	
Assets held for disposal	**17**	1,451,543		1,463,881	
Total assets		**2,008,306,582**		**2,045,682,389**	

SHAREHOLDERS' EQUITY AND LIABILITIES

(euros)	Notes	30.06.2019	of which related parties (Note 33)	31.12.2018	of which related parties (Note 33)
Shareholders' equity					
Share capital	**18**	541,744,385	0	541,744,385	0
Reserves	**18**	471,687,853	0	462,563,374	0
Retained earnings/(loss carryforward)	**18**	19,992,565	0	18,860,841	0
Profit (loss) for the period	**18**	34,170,198	0	114,390,115	0
Total shareholders' equity pertaining to shareholders of the Parent Company	**18**	**1,067,595,001**	**0**	**1,137,558,715**	**0**
Non-controlling interests and reserves		2,664,000	0	0	0
Profit/(loss) pertaining to non-controlling interests		(47,152)	0	0	0
Total shareholders' equity pertaining to non-controlling interests		**2,616,848**	**0**	**0**	**0**
Total shareholders' equity	**18**	**1,070,211,849**		**1,137,558,715**	
Non-current liabilities					
Provisions for risks and charges	**19**	1,490,000	0	1,715,000	0
Severance pay and other employee benefits	**20**	54,390,663	0	52,279,812	0
Deferred tax liabilities	**11**	4,468,536	0	4,073,569	0
Non-current financial liabilities	**21**	338,038,238	0	337,252,863	0
Non-current trade payables	**22**	22,904,286	0	34,841,889	0
Other non-current liabilities	**23**	167,247,635	0	172,486,366	0
Total non-current liabilities		**588,539,358**		**602,649,499**	
Current liabilities					
Short-term portion of provisions for risks and charges	**19**	1,047,623	0	991,946	0
Current trade payables	**22**	124,600,543	4,648,215	126,121,713	15,676,302
Tax and social security payables	**24**	53,442,961	0	32,105,317	0
Current financial liabilities	**21**	19,108,341	0	14,923,767	0
Other current liabilities	**23**	151,323,791	81,205,135	131,326,186	65,100,234
Total current liabilities		**349,523,259**		**305,468,929**	
Liabilities directly associated with assets held for disposal	**17**	32,116		5,246	
Total liabilities		**938,094,733**		**908,123,674**	
Total shareholders' equity and liabilities		**2,008,306,582**		**2,045,682,389**	

Consolidated interim income statement

(euros)	Notes	1st Half 2019	of which related parties (Note 33)	1st Half 2018	of which related parties (Note 33)
Revenues					
Revenues from operations	25	429,244,259	6,210,566	417,146,923	6,644,331
Balances	25	(29,813,659)	0	(24,025,591)	0
Total revenues from contracts with customers	*25*	*399,430,600*		*393,121,332*	
Other operating income	26	22,562,682	17,985,782	22,612,492	18,471,733
Total revenues		**421,993,282**		**415,733,824**	
Costs					
Costs for raw materials, supplies, consumables and goods	27	(3,720,516)	(249,181)	(5,536,004)	(6,694)
Costs for services	27	(60,355,046)	(3,811,848)	(61,681,989)	(1,193,819)
Personnel costs	28	(248,859,019)	0	(244,295,101)	0
Costs leases and rentals	27	(975,744)	(1,875)	(2,490,171)	(34,494)
Other operating expenses	27	(1,328,931)	0	(1,592,764)	0
Capitalisation of costs	29	12,979,525	0	16,115,954	0
Total costs		**(302,259,731)**		**(299,480,075)**	
Depreciation and amortisation	7 and 8	(69,566,912)	0	(69,278,425)	0
Writedowns/(writebacks) for impairment of receivables	13	(733,978)	0	(28,011)	0
Writedowns/(writebacks) for impairment of property, plant and equipment and intangible assets	7	0	0	0	0
Provisions	19	138,277	0	1,343,234	0
Operating income		**49,570,938**		**48,290,547**	
Financial income and expense					
Financial income	30	1,273,875	0	1,463,097	0
Financial expense	30	(3,900,078)	0	(3,526,059)	(16,867)
Exchange rate gains (losses)	30	16,710	0	139,711	0
Total financial income and expense		**(2,609,493)**		**(1,923,251)**	
Income before taxes		**46,961,445**		**46,367,296**	
Income taxes for the period	31	(12,838,399)		(13,373,814)	
Profit (loss) for the period		**34,123,046**		**32,993,482**	
Pertaining to shareholders of the Parent Company		*34,170,198*		*32,993,482*	
Pertaining to non-controlling interests		*(47,152)*		*0*	
Basic earnings/(loss) per share	37	0.06		0.06	
Diluted earnings/(loss) per share	37	0.06		0.06	

Consolidated interim statement of other comprehensive income

(euros)	Notes	1st Half 2019	1st Half 2018
Profit (loss) for the period	**18**	**34,123,046**	**32,993,482**
Other comprehensive income recyclable to profit/(loss):			
- Differences arising from the translation of foreign financial statements	18	340,277	1,536,202
- Fair value of derivative financial instruments	10 and 18	(8,251)	(27,040)
- Tax effect of the valuation at fair value of derivative financial instruments	11 and 18	1,980	6,490
Total other comprehensive income recyclable to profit or loss		**334,006**	**1,515,652**
Other comprehensive income not recyclable to profit or loss:			
- fair value measurement of investments in other entities	9	2,545,413	6,455,234
- Actuarial gains/(losses) on employee benefits	18 and 20	(3,740,371)	462,983
- Tax effect of actuarial gains/(losses) on employee benefits	11 and 18	363,152	(1,466,715)
Other comprehensive income not recyclable to profit or loss		**(831,806)**	**5,451,502**
Comprehensive Income		**33,625,246**	**39,960,636**
Pertaining to shareholders of the Parent Company		33,672,398	39,960,636
Pertaining to non-controlling interests		(47,152)	0

Consolidated interim statement of changes in Shareholders' equity

(euros)	Share capital	Reserves					Retained earnings/(loss carryforward)	Profit (loss) for the period	Total shareholders' equity	Non-controlling interests	Total shareholders' equity
		Legal reserve	Sundry reserves	Reserve from actuarial gains/(losses) for employee benefits	Cash flow hedges	Total reserves					
Balance at 31 December 2017	**541,744,385**	**21,937,829**	**439,510,285**	**(10,153,139)**	**2,016,657**	**453,311,632**	**23,411,079**	**101,497,826**	**1,119,964,922**	**0**	**1,119,964,922**
Adoption of new standards	0	0	0	0	0	0	(341,674)	0	(341,674)	0	(341,674)
Balance at 1 January 2018	**541,744,385**	**21,937,829**	**439,510,285**	**(10,153,139)**	**2,016,657**	**453,311,632**	**23,069,405**	**101,497,826**	**1,119,623,248**	**0**	**1,119,623,248**
Allocation of net profit from the previous year	0	4,725,237	0	0	0	4,725,237	96,772,589	(101,497,826)	0	0	0
Dividend distribution	0	0	0	0	0	0	(100,981,153)	0	(100,981,153)	0	(100,981,153)
Purchase of Treasury shares	0	0	(850,698)	0	0	(850,698)	0	0	(850,698)	0	(850,698)
Currency translation difference reserve	0	0	1,536,202	0	0	1,536,202	0	0	1,536,202	0	1,536,202
Long-Term Incentive Plan	0	0	228,058	0	0	228,058	0	0	228,058	0	228,058
Comprehensive income, of which:											
- Profit (loss) recognised directly in equity	0	0	5,099,635	351,867	(20,550)	5,430,952	0	0	5,430,952	0	5,430,952
- Profit (loss) for the period	0	0	0	0	0	0	0	32,993,482	32,993,482	0	32,993,482
Balance at 30 June 2018	**541,744,385**	**26,663,066**	**445,523,482**	**(9,801,272)**	**1,996,107**	**464,381,383**	**18,860,841**	**32,993,482**	**1,057,980,091**	**0**	**1,057,980,091**
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
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
Non-controlling interests	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 period	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**

Consolidated interim statement of cash flows

	(thousands of euros)	Notes	1st Half 2019	of which related parties	1st Half 2018	of which related parties
A -	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (*)**	**16**	**317,716**		**264,275**	
	Net cash flow generated/(absorbed) from operating activities					
	Profit (loss) for the period	**18**	34,123	0	32,993	0
	Depreciation and amortisation	**7 and 8**	69,567	0	69,280	0
	Net change in liabilities for employee benefits	**20**	(1,629)	0	(696)	0
	Change resulting from exchange rate differences	**18**	(12)	0	(22)	0
	Loss on sale of property, plant and equipment and impairment loss of property, plant and equipment and intangible assets	**7 and 8**	0	0	(755)	0
	Provision for stock grant plans	**28**	530	0	228	0
	Net provisions for risks and charges	**19**	(138)	0	(1,445)	0
	Net change in deferred tax assets and deferred tax liabilities	**11**	(222)	0	854	0
	Decrease/(increase) in inventories	**14**	15	0	352	0
	Decrease/(increase) in current and non-current trade receivables	**13**	(25,323)	(7,966)	(25,615)	(7,528)
	Decrease/(increase) in tax receivables and tax and social security payables	**12 and 24**	31,831	0	15,757	0
	Change in other current assets and liabilities	**15 and 23**	25,496	18,278	(9,487)	(49,150)
	Change in other non-current assets and liabilities	**23**	(11,853)	5,762	6,912	0
	Increase/(decrease) in current and non-current trade payables	**22**	(15,429)	458	(11,925)	50,140
B -	**TOTAL CASH FLOW FROM OPERATING ACTIVITIES**		**106,956**		**76,431**	
	of which taxes paid		(8,522)	0	(18,195)	0
	of which interest paid		(85)	0	(1,261)	0
	Net cash flow generated/(absorbed) from investing activities					
	Investments in property, plant and equipment	**7**	(29,501)	0	(50,371)	0
	Investments in intangible assets	**8**	(5,268)	0	(2,908)	0
	Increase/(decrease) in trade payables for investments	**22**	1,964	(11,486)	13,412	488
	Sales of property, plant and equipment	**7**	0	0	4,500	0
	Decrease/(increase) in trade receivables for investments	**13**	750	0	(3,000)	0
	Investments in other shares	**9**	0	0	0	0
	Investments in financial assets	**10**	0	0	0	0
C -	**TOTAL CASH FLOW FROM INVESTING ACTIVITIES**		**(32,055)**		**(38,367)**	
	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**	(6,693)	0	(18,333)	(1,664)
	Net change in long-term financial liabilities	**21**	0	0	0	0
	Bond issue	**21**	0	0	0	0
	Net change in short-term financial liabilities	**21**	620	0	1,754	0
	(Increase)/Decrease in current financial assets	**10**	(7)	0	268	0
	(Increase)/Decrease in non-current financial assets	**10**	793	0	(997)	0
	Purchase of Treasury shares	**18**	0	0	(851)	0
	Change in Capital	**18**	6,610	0	0	0
	Dividend distribution	**18**	(107,913)	(57,670)	(100,981)	(53,803)
D -	**TOTAL CASH FLOW FROM FINANCING ACTIVITIES**		**(106,590)**		**(119,140)**	
E -	**Total cash flow (B+C+D)**		**(31,689)**		**(81,076)**	
F -	**Exchange rate differences on cash**		20		**10**	
G -	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+E+F) (*)**	**16**	**286,047**		**183,209**	

(*) Cash and cash equivalents includes at the beginning of the first half €1,406 thousand, and at the end of the first half €1.391 thousand, referred to 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 in addition to some 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 2019, the 53.28% of the capital is held by the Ministry for the Economy and Finance (MEF) and 46.50% by institutional and individual shareholders, with 0.22% being held by Enav as treasury shares.

The main 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, and commercial development and aeronautical consulting activities. The measurement and presentation of operations is broken down into three operating sectors, namely *air navigation services, maintenance services* and a remaining sector defined as *other sectors*.

These interim condensed consolidated financial statements regard the six months ending 30 June 2019 and have been prepared in euros, the legal tender in the economy in which the Group operates.

Publication of this Interim Financial Report was authorised by the Board of Directors on 6 August 2019 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 2019 of Enav S.p.A. and its subsidiaries (hereinafter 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 6 August 2019, the date on which the Board of Directors of Enav S.p.A. approved the Interim Financial Report.

In particular, these financial statements 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 2018. Accordingly, the interim condensed consolidated financial statements at 30 June 2019 should be read in conjunction with the consolidated financial statements of Group for the year ended 31 December 2018, 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 of 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 when they have a material impact on understanding the financial position, performance or cash flows.

3. Scope and basis of consolidation

The basis of consolidation adopted in preparing the interim condensed consolidated financial statements at 30 June 2019 is consistent with that adopted in preparing the consolidated financial statements at 31 December 2018, approved on 11 March 2019 and available at www.enav.it in the section https://www.enav.it/sites/public/en/InvestorRelations/Financial-Statements-and-Reports.html
There were no changes in the scope of consolidation in the first half of 2019, but as from 28 February 2019 the percentage holding in D-Flight decreased to 60% following the entry as a shareholder of UTM Systems & Services S.r.l., which subscribed the capital increase with share premium in accordance with the obligations assumed following the tender, thereby acquiring a 40% stake.
There were no significant transactions or unusual events in the first half of 2019.

Translation of financial statements of foreign companies

The exchange rates used to translate the financial statements of companies that use a functional currency other than the euro are shown in the table below:

	1st Half 2019		31.12.2018		1st Half 2018	
	6-month average	at 30 June	12-month average	at 31 December	6-month average	at 30 June
Malaysian ringgit	4.6539	4.7082	4.7642	4.7317	4.7677	4.7080
US dollar	1.1298	1.1380	1.1815	1.1450	1.2108	1.1658

4. New accounting standards and interpretations

The accounting standards adopted in the preparation of the interim condensed consolidated financial statements at 30 June 2019 are in consistent with those used for the preparation of the consolidated financial statements at 31 December 2018, which readers are invited to consult for more information, with the exception of the adoption of the new IFRS 16, which took effect as from 1 January 2019. A number of other amendments and interpretations were applied for the first time in 2019, but did not have an impact on the interim condensed consolidated financial statements. The Group has not opted for early adoption of any new standard, interpretation or amendment that has been issued but not yet taken effect.

Impact of the adoption of IFRS 16

The effects associated with the adoption of IFRS 16 applicable from 1 January 2019 are discussed below.

IFRS 16 Leases - issued on 13 January 2016, replaces the previous standard IAS 17 Leases and related interpretations, and defines the criteria for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the lessee and the lessor. The new standard, which was endorsed on 9 November 2017, took effect as from 1 January 2019, considering that the Group did not opt for early adoption.

Although maintaining the definition of lease already set out in IAS 17, the main change introduced with IFRS 16 consists of the introduction of the concept of control within the scope of the definition. Specifically, IFRS 16 requires an evaluation of whether or not the lessee has the right to direct the use of an asset for a given period of time. IFRS 16 eliminates the classification between operating and finance leases for lessees and introduces a single method for recognising all leases.

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

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

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

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

The Group has adopted IFRS 16 using the modified retrospective method, in accordance with paragraph C5(b) of the standard, with the date of initial application as at 1 January 2019. Under this approach, the standard is applied retrospectively with the cumulative effect of initial application recognised at the date of initial application. The Group has also elected to use of a number of practical expedients set out in paragraph C10 of the standard for leases that at the date of initial application have a term of 12 months or less ("short-term lease") and for those with a low-value underlying asset ("low-value assets "), for which the related costs continue to be charged to profit or loss without recognising the right of use under assets.

As reported in the disclosures provided in the consolidated financial statements at 31 December 2018, the Enav Group has leases of the following contractual types: rental contracts for buildings and secondary and/or strategic sites, vehicles used by managers, vehicles used by operating personnel at airport sites and vehicles for use by the heads of certain operating sites, in addition to other minor types of contract. With regard to the definition of the term of a lease, the Group has considered the non-cancellable period, without taking account of the effect of tacit and/or explicit extensions and/or renewals unless it is reasonable certain that such options will be exercised. In determining the rights of use in respect of car lease payments, the Group has considered only the "lease" components (pure lease), where the "non-lease" component (maintenance services) continues to be charged to profit or loss within operating expenses. The Group has also used the incremental borrowing rate where it has not been possible to readily determine the interest rate implicit in the lease.

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

(thousands of euro)	31.12.2018	IFRS 16	01.01.2019
Non-current assets			
Property, plant and equipment	1,000,063	10,075	1,010,138
Intangible assets	122,368	0	122,368
Investments in other entities	60,306	0	60,306
Non-current financial assets	37,161	0	37,161
Other non-current assets	81,209	0	81,209
Total non-current assets	**1,301,107**	**10,075**	**1,311,182**
Total current assets	**743,111**	**0**	**743,111**
Assets held for disposal	1,464	0	1,464
Total assets	**2,045,682**	**10,075**	**2,055,757**
Shareholders' Equity	**1,137,559**	**(111)**	**1,137,448**
Non-current liabilities			
Non-current financial liabilities	337,253	7,413	344,666
Other non-current liabilities	265,396	0	265,396
Total non-current liabilities	**602,649**	**7,413**	**610,062**
Current liabilities			
Current financial liabilities	14,924	2,773	17,697
Other current liabilities	290,545	0	290,545
Total current liabilities	**305,469**	**2,773**	**308,242**
Liabilities held for disposal	5	0	5
Total liabilities	**2,045,682**	**10,075**	**2,055,757**

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

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

The assets recognised on first-time adoption are attributable to the lease of the registered and operational headquarters of the subsidiary Techno Sky, to the lease contracts for the secondary offices of the Parent Company and to the lease contracts for the operational headquarters of Enav Asia Pacific, for a total of €8,314 thousand. The Group has also recognised rights to use in respect of long-term car rental agreements for the managers and operating personnel of the Parent Company and Techno Sky totalling €1,761 thousand.

During the first half of 2019, the Group recognised depreciation charges on right-of-use assets in the amount of about €1.1 million and financial expense of around €0.1 million, while costs for leases and rentals declined by €1.2 million. These effects had a positive impact on consolidated EBITDA.

These financial effects are mainly attributable to the right-of-use assets recognised on first-time adoption as at 1 January 2019, while other circumstances arising during the first half of 2019 increased the value of rights of use, including the renegotiation of the lease on the headquarters of the subsidiary Techno Sky, which led to the recognition of €823 thousand from remeasurement of the asset and, residually, the recognition of vehicle leases by the Parent Company and Techno Sky in the amount of €31 thousand.

During the first half of 2019, the Group made payments to lessors of about €1.1 million, while new liabilities recognised during the period amounted to €0.8 million.

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

- *Annuals Improvements to IFRS standards 2015-2017 Cycle* – issued on 12 December 2017 and endorsed on 14 March 2019. The document contains formal amendments and clarifications of existing standards. More specifically, several amendments were introduced to the following standards:
  - ✓ *IFRS 3 – Business combinations and IFRS 11 – Joint arrangements: previously held interest in a joint operation:* the amendments clarify that a transaction to obtain control of a business that is a joint operation is a business combination achieved in stages and the purchaser should apply the provisions of IFRS 3, including remeasuring the previously held interest in the joint operation. The amendments to IFRS 11 clarify that a purchaser should not remeasure its previously held interests in transactions to obtain joint control of a business that is a joint operation;
  - ✓ *IAS 12: Income taxes: Income tax consequences of payments on financial instruments classified as equity*: the amendments clarify that the tax consequences of payments on financial instruments classified as equity should be recognised in line with past transactions or events;
  - ✓ *IAS 23: Borrowing costs: Borrowing costs eligible for capitalisation:* the amendments clarify that an entity should treat with each loan obtained for a specific qualifying asset in the same way as funds not obtained for a specific asset when that qualifying asset is ready for its intended use or sale.
- *Amendments to IAS 19: Plan amendment, curtailment or settlement* – issued on 7 February 2018 and endorsed on 13 March 2019. The amendment of IAS 19 addresses the accounting treatment of an

amendment, curtailment or settlement an employee benefit plan during a reporting period. The amendments to IAS 19 require entities to use updated actuarial assumptions in calculating the service cost and net interest for reporting periods after the above changes. Conversely, the amendment change to the standard does not address accounting for significant market fluctuations if there are no changes to a plan.

- *Amendments to IAS 28: Investments in associates and joint ventures* – issued on 12 October 2017 and endorsed on 8 February 2019. The amendment clarifies that an entity shall apply IFRS 9, rather than the provisions of IAS 28, to interests held in an associate or joint venture not accounted for using the equity method (long-term interest).
- *IFRIC 23 Uncertainty over income tax treatments* – issued on 7 June 2017 and endorsed on 23 October 2018. The interpretation clarifies the application issues associated with the recognition and measurement of tax assets/liabilities in accordance with IAS 12 when there is uncertainty over the tax treatment of a transaction. In particular*:*
  - a company shall decide whether to consider each uncertain tax position separately or jointly with others based on which approach better predicts the resolution of the uncertainty, bearing in mind how it prepares its tax filings and how it expects tax authorities to make their examination;
  - a company shall assume that the tax authorities will examine the documents and have all the necessary information relating to the uncertainty of treatment and its resolution;
  - a company shall evaluate the probability that the tax authorities will accept the proposed uncertain tax treatment. If the probability of the tax authorities accepting it is high, then the company shall calculate the taxes in line with the planned tax treatment. If the probability of them accepting is low, then the company shall reflect the uncertainty in the tax estimate using one of the following methods: i) most likely amount; or ii) expected value. If the uncertain tax treatment impacts current and deferred taxes, the company should make the best estimate for the purpose of both current and deferred tax;
  - at every closing, the company shall evaluate whether the facts and circumstances on which it based its judgement have changed over the course of time since inception. In the case of changes in facts and circumstances, IAS 8 shall apply. In addition, a company shall apply IAS 10 to determine whether a change that occurs after the reporting date and before approval date of the financial statements is an adjusting or non-adjusting event.
  - *IFRS 9 Prepayment features with negative compensation* – issued on 12 October 2017 and endorsed on 22 March 2018. The aim of amendments is to address the issue of the classification

of particular categories of financial assets with prepayment features. These amendments govern the situation in which the party exercising the prepayment option for a financial asset could receive compensation from the other party. This case is known as negative compensation. Under such an agreement, a lender could be forced to accept a pre- payment that is substantially smaller than the amount of uncollected principal and interest. The financial asset in question should be measured at amortised cost or at fair value through OCI depending on the business model used.

New accounting standards, interpretations and amendments taking effect for periods after 31 December 2019 and not adopted early by the Group

The following is a list of new accounting standards, amendments and interpretations that will be applied by the Group in annual accounting periods after 31 December 2019:

- *Amendment to references to the conceptual framework in IFRS standards* – issued on 29 March 2018. The new IFRS conceptual framework will replace the framework issued in 1989, already partly revised in 2010. The new framework should be applicable, following endorsement expected in 2019, from 1 January 2020. This update will not amend existing standards and interpretations, but rather introduce cross-cutting definitions to various standards, guidance and parameters with regard to the concepts of measurement, presentation and disclosure and derecognition. In addition, the definitions of assets and liabilities and their recognition criteria will be updated and the general criteria for the preparation of financial statements for IFRS adopters will be clarified, with special reference to the concepts of prudence, stewardship, measurement uncertainty, and substance over form.
- *Amendment to IFRS 3 Business combinations* – issued on 22 October 2018, endorsement advice pending. The amendments to the standard will mainly regard the definition of business, in order to support entities in identifying the demarcation line between business combination and acquisition of a group of assets. More specifically, the amendments: a) clarify that a business must include at least an input and a substantive process that together significantly contribute to the ability to create outputs; b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments to IFRS 3 have been prompted by the commitment to achieve a

desirable convergence between FASB and IASB and to make financial disclosures prepared with the different reporting flows comparable.

The amendments will take effect, subject to endorsement, as from 1 January 2020 and early adoption is permitted.

- *Amendment to IAS 1 and IAS 8: Definition of material* – issued on 31 October 2018 with the EFRAG endorsement advice expected to be issued in the first quarter of 2019. The amendments to the standards regard a new definition of materiality, under which information is material if omitting, misstating or obscuring it could reasonably be expected to influence the financial decisions that stakeholders on the basis of that information. The concept of materiality depends on both the nature and magnitude of the information.

  The amendments will take effect, subject to endorsement, as from 1 January 2020 and early adoption is permitted.

5. Use of estimates and management judgements

With reference to the use of accounting estimates, please see the notes to the consolidated financial statements at 31 December 2018.

Note, however, that certain measurement processes, in particular the more complex situations such as the determination of any impairment of non-current assets, are generally only performed when the annual financial statements are prepared, when all necessary information is available, except in cases in which evidence of impairment has emerged that would require an assessment of recoverability even in the interim financial statements for those CGUs for which goodwill was recognised at the time of acquisition. At 30 June 2019, there was no evidence of impairment attributable to the “Maintenance Services” CGU.

At each reporting period, the Group updates the fair value of the equity instruments for which it has made the irrevocable choice to recognise the related adjustments in a specific equity reserve. With regard to the fair value measurement of the equity investment in Aireon LLC, the analysis conducted by management involves the evaluation of a series of internal and external inputs such as: examination of the annual budget, examination of the long-term financial plan and analysis of the main market indicators. The assessment requires management to make considerable use of significant estimates and assumptions.

6. Seasonal effects

The type of business in which the Parent Company operates is affected by seasonal effects and the performance of the business is not uniform throughout the entire year. The trends in air traffic are by nature closely tied to seasonal factors. As with any tourism-related activity, passenger traffic also fluctuates in the seasons of the year in which Italian and foreign passenger trips are normally concentrated.

Specifically, the level of revenues, closely related to that of air traffic, reaches its peak and is concentrated in the summer months. As a result the interim results of the Group does not contribute uniformly to the formation of the economic and financial results for the year.

7. Property, plant and equipment

The table below shows changes in property, plant and equipment at 30 June 2019 compared with the end of 2018.

(thousands of euros)	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
Cost	517,234	1,891,407	310,168	314,139	194,477	3,227,425
Accumulated depreciation	(219,254)	(1,454,587)	(263,339)	(290,182)	0	(2,227,362)
Net book value at 31.12.2018	**297,980**	**436,820**	**46,829**	**23,957**	**194,477**	**1,000,063**
Increases	9,133	22,521	4,378	159	29,501	65,692
Increase from right-of-use assets - cost	10,828	0	0	2,705	0	13,533
Increase from right-of-use assets - accumulated depreciation	(1,691)	0	0	(913)	0	(2,604)
Disposals - cost	(2)	(375)	(26)	(389)	0	(792)
Disposals - accumulated depreciation	0	375	26	388	0	789
Reclassification	0	(25)	(45)	0	(36,418)	(36,488)
Impairment losses	0	0	0	0	0	0
Depreciation	(10,336)	(45,179)	(5,864)	(3,617)	0	(64,996)
Total changes	**7,932**	**(22,683)**	**(1,531)**	**(1,667)**	**(6,917)**	**(24,866)**
Cost	537,193	1,913,513	314,438	316,614	187,560	3,269,318
Accumulated depreciation	(231,281)	(1,499,376)	(269,140)	(294,324)	0	(2,294,121)
Net book value at 30.06.2019	**305,912**	**414,137**	**45,298**	**22,290**	**187,560**	**975,197**

Property, plant and equipment in the first half of 2019 decreased by a net €24,866 thousand, reflecting:

- depreciation for the period of €64,996 thousand (€65,191 thousand at 30 June 2018), of which €1,148 thousand regarding rights of use;
- an increase in property, plant and equipment of €65,692 thousand, of which €36,191 thousand relating to investments that entered in service during the period. This included: i) the implementation of the deconflicting tool of the Brindisi Area Control Centre; ii) the new power station of the Catania airport; iii) the modernisation and upgrading of the airport VCSs for some airports; iv) the upgrade of meteorological systems at Rome Fiumicino to the ICAO 74 amendment; v) an airport tracker radar data fusion system completed in April for Milan Malpensa airport. Increases also included rights of use recognised in compliance with IFRS 16 related to leased offices and company vehicles with a net value at January 1, 2019 of €10,075 thousand. During the period, rights of use increased by €854 thousand, mainly as a result of the property lease contract modification of the subsidiary Techno Sky, which expanded the premises and extended its term until 2024. Increases of €29,501 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 at six airports in the process of implementation at the Milan Malpensa airport tower; iii) the construction of the technical area of the Genoa airport; and iv) evolutionary maintenance of various systems.

- the decrease in property, plant and equipment due to reclassifications totalling €36,488 thousand, mainly regarding investment projects that were completed and entered in service during the period, with classification to a specific account, amounting to €36,191 thousand, as well as €275 thousand for the reclassification of certain components of operating systems in inventories for spare parts.

Note that part of the investments, with a historical cost of €261.3 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 €4,695 thousand.

8. Intangible assets

The table below shows changes in intangible assets at 30 June 2019 compared with the end of 2018.

(thousands of euros)	**Industrial patent and intellectual property rights**	**Other intangible assets**	**Assets under development**	**Goodwill**	**Total**
Cost	147,830	2,085	40,134	66,486	256,535
Accumulated amortisation	(132,082)	(2,085)	0	0	(134,167)
Net book value at 31.12.2018	**15,748**	**0**	**40,134**	**66,486**	**122,368**
Increases	515	0	5,290	0	5,805
Disposals	0	0	0	0	0
Reclassification	0	0	(515)	0	(515)
Impairment losses	0	0	0	0	0
Amortisation	(4,571)	0	0	0	(4,571)
Total changes	**(4,056)**	**0**	**4,775**	**0**	**719**
Cost	148,345	2,085	44,909	66,486	261,825
Accumulated amortisation	(136,653)	(2,085)	0	0	(138,738)
Net book value at 30.06.2019	**11,692**	**0**	**44,909**	**66,486**	**123,087**

Intangible assets totalled €123,087 thousand, a net increase of €719 thousand in the first half, reflecting the following changes:

- amortisation for the period of €4,571 thousand (€4,088 thousand in the first half of 2018);

- increases in intangible assets totalling €5,805 thousand, including €515 thousand in respect of assets entering service during the year, mainly regarding investment projects being implemented, including activities relating to the ERP Oracle management system with a view to implementing the system among the companies of the Enav Group;
- decreases in intangible assets entirely regarded investment projects completed during the period and entering service that were classified to a specific account.

Goodwill is equal to the difference between the acquisition value of the subsidiary Techno Sky S.r.l. and its net assets expressed at current values, and is representative of future economic benefits. This value, amounting to €66,486 thousand, is allocated to the Maintenance Services CGU, corresponding to the legal entity Techno Sky S.r.l.

During the period under review, no evidence emerged that the CGUs to which goodwill has been allocated may have incurred impairment losses, so no impairment testing was conducted.

9. Investments in other entities

Investments in other entities amounted to €63,181 thousand and showed an increase of €2,875 thousand compared with 31 December 2018. The interest held by the Group in Aireon LLC is 9.1% and will increase to 11.1% following execution of the redemption clause, which will not entail any additional charges for the Company. At 30 June 2019, the Parent Company updated its estimate of the fair value of the investment on the basis of the 2019-2033 financial plan prepared by the management of Aireon LLC on 4 December 2018, and used in the valuation of the investment at 31 December 2018. In the first half, based on the communications and management reports provided by Aireon’s management, no significant changes were identified on the assumptions underlying the Aireon financial and economic plan of December 2018 used to determine the fair value of the interest held by the Group. The valuation model used is based on the following assumptions: i) fair value, determined from an equity-side perspective, based on a financial model that discounts the expected distributable dividends over explicit plan period. Subsequently, the terminal value of the investment was determined assuming a sustainable cash flow at an average nominal long-term growth rate (g-rate); ii) the discount rate used is the cost of capital (Ke), equal to 15.95%, calculated using the capital asset pricing model (CAPM). Given that the market can be considered inactive, the inputs used are consistent with Level 3 of the fair value input hierarchy.

The fair value of the investment in Aireon LLC at 30 June 2019 is equal to €63 million ($71.7 million dollars), an increase of €2.9 million (€2.8 million) compared with 31 December 2018 due to the combined effect of a marginal increase in the discount rate (+0.4% at 30 June 2019 compared with 31

December 2018), more than offset by the positive effect deriving from the shorter discounting horizon compared with the fair value estimation performed at 31 December 2018.

In order to verify the robustness of the estimate, a sensitivity analysis was conducted for the Ke parameters and the growth rate g: assuming an increase of 1% in the Ke and maintaining a growth rate of 2%, the fair value of the investment would fall to $65.8 million.

10. Current and non-current financial assets

Current and non-current financial assets amounted to €9,014 thousand and €36,368 thousand, respectively, for a total decrease of €786 thousand on 31 December 2018. L The item breaks down as follows:

			30.06.2019			31.12.2018			Change
(thousands of euros)	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Financial assets at amortised cost	9,014	36,021	45,035	9,001	36,811	45,812	13	(790)	(777)
Other financial assets	0	347	347	0	350	350	0	(3)	(3)
Derivative financial instruments	0	0	0	6	0	6	(6)	0	(6)
Total	**9,014**	**36,368**	**45,382**	**9,007**	**37,161**	**46,168**	**7**	**(793)**	**(786)**

The current financial asset is represented by a 1-year time deposit signed in December 2018 in the amount of €9 million, accruing annual interest of 0.30%.

Non-current financial assets, which amounted to €36,368 thousand, show a decrease of €793 thousand on 31 December 2018, attributable to a decline in the financial receivable due from the company from which the business unit transferred to Techno Sky was acquired, reflecting reimbursements obtained in respect of payments and advances on severance pay disbursed by Techno Sky to its employees. The item also includes two BTP government bonds recognised at amortised cost and held to maturity, with a total nominal value of €25 million falling due on 15 October 2020 and 1 November 2020 respectively.

11. Deferred tax assets and deferred tax liabilities

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

(thousands of euros)	31.12.2018 Temporary differences	31.12.2018 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	30.06.2019 Temporary differences	30.06.2019 Deferred Tax assets/liabilities
Deferred tax assets								
Taxed provisions	27,571	6,617	592	143	0	0	28,163	6,760
Write-down of inventories	9,566	2,296	206	49	0	0	9,772	2,345
Discounting of receivables	272	66	(120)	(29)	0	0	152	37
Tax effect of IFRS conversion	549	152	0	0	0	0	549	152
Discounting of severance pay provision	1,093	281	0	0	3,740	898	4,833	1,179
Non-deductible portion of severance pay	186	45	(93)	(22)	0	0	93	23
Fair value of derivatives	4	1	0	0	0	0	4	1
Other	22,181	6,334	(194)	(59)	8	2	21,995	6,277
Total	**61,422**	**15,792**	**391**	**82**	**3,748**	**900**	**65,561**	**16,774**
Deferred tax liabilities								
Other	5,008	1,202	(355)	(85)	0	0	4,653	1,117
Discounting on debts	568	137	(194)	(46)	0	0	374	91
Tax effect of IFRS conversion	2,401	715	(25)	(8)	0	0	2,376	707
Fair value of investment	6,669	1,400	0	0	2,545	535	9,214	1,935
Fair value of derivatives	2,580	619	0	0	0	0	2,580	619
Total	**17,226**	**4,073**	**(574)**	**(139)**	**2,545**	**535**	**19,197**	**4,469**

The change in the period in deferred tax assets and deferred tax liabilities, which have a balance of €16,774 thousand and €4,469 thousand, is attributable to the following factors:

- the allocation to taxable provisions, mainly the provision for doubtful accounts and the inventory loss provision;
- the reversal to profit or loss of the deferred tax associated with the discounting of receivables and payables for balances for the period. The item also changed in reflection of the recognition of deferred taxation for the balances recorded in the first half of 2019;
- the recognition of employee severance pay in accordance with the actuarial method, which produced an actuarial loss recognised in other comprehensive income;
- the fair value measurement of the investment in Aireon, as reported in Note 9;
- the measurement and reversal to profit or loss of the elimination of margins on intercompany transactions.

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

12. Current and non-current tax receivables

Non-current tax receivables amounted to €24,858 thousand (unchanged on the end of 2018). They 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 €16,604 thousand and include the receivables shown in the following table.

(thousands of euros)	30.06.2019	31.12.2018	Change
Receivables from tax authorities for VAT	13,606	20,363	(6,757)
IRES receivable	1,759	6,232	(4,473)
IRAP receivable	1,006	235	771
Other current tax receivables	233	269	(36)
Total	**16,604**	**27,099**	**(10,495)**

Receivables from tax authorities for VAT amounted to €13,606 thousand, a decrease of €6,757 thousand, mainly reflecting the receipt of the VAT receivable for the 2017 tax year for which reimbursement had been requested by the Parent Company in the amount of €7 million.

The IRES receivable amounted to €1,759 thousand, representing the difference between the receivable for 2018, the payment on account in June of €13,197 thousand and the reduction for the tax liability for the period.

The IRAP receivable amounted to €1,006 thousand, an increase of €771 thousand on 31 December 2018, reflecting the payment on account in June and the tax liability for the first half of 2019.

13. Current and non-current trade receivables

Current trade receivables amounted to €300,255 thousand and non-current trade receivables amounted to €10,842 thousand, with changes for the period reported in the following table.

(thousands of euros)	30.06.2019	31.12.2018	Change
Current trade receivables			
Receivables from Eurocontrol	204,518	150,841	53,677
Receivables from the Ministry for the Economy and Finance	6,200	13,076	(6,876)
Receivables from the Ministry of Infrastructure and Transport	45,000	30,000	15,000
Receivables from others	22,124	22,825	(701)
Receivables for balance	52,023	80,089	(28,066)
	329,865	**296,831**	**33,034**
Provision for doubtful accounts	(29,610)	(28,755)	(855)
Total	**300,255**	**268,076**	**32,179**
Non-current trade receivables			
Receivables from customers	1,473	2,214	(741)
Receivables for balance	9,369	16,234	(6,865)
Total	**10,842**	**18,448**	**(7,606)**

Receivables from Eurocontrol refers to the fees deriving from en-route and terminal revenues not yet received as of 30 June 2019, the majority of which is not yet due, amounting respectively to €147,868 thousand (€106,226 thousand at 31 December 2018) and €56,650 thousand (€44,615 thousand at 31 December 2018), gross of the provision for doubtful accounts. The increase for the period of €53,677 thousand is mainly due to the recognition of new receivables deriving from a greater flight, both en-route and terminal, in the months of May and June compared with the last two months of 2018. The receivable from Eurocontrol, net of the portion directly attributable to the provision for doubtful accounts, amounted to €184,984 thousand (€132,152 thousand at 31 December 2018).

Receivables from the Ministry for the Economy and Finance (MEF) of €6,200 thousand is entirely accounted for by the en-route and terminal exemptions recognised in the first half of 2019. The receivable at 31 December 2018 of €13,076 thousand was offset, after approval of the 2018 financial statements, with the payable to the Italian Air Force for the collections in respect of the en-route charges of €65,100 thousand, which left a payable of €52,094 thousand due to the MEF recognised under other liabilities.

Receivables from the Ministry of Infrastructure and Transport includes the operating grant aimed to restore 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 2019 by the amount accruing for the period.

Receivables from others, classified under current assets in the amount of €22,124 thousand, show a decrease of €701 thousand at 30 June 2019, mainly reflecting the collection of receivables on foreign projects and the receipt of the first annual instalment of the receivable toward 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 of 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 €29,610 thousand with changes in the first half of 2019 breaking down as follows:

(thousands of euros)	**31.12.2018**	Increases	Decreases	**30.06.2019**
Provision for doubtful accounts	28,755	1,812	(957)	29,610

The increase in the provision for doubtful accounts was due to positions fully written down following the insolvency of a number of European carriers and to the valuations required by the new accounting standard, referring to positions past due and not yet collected for which various recovery initiatives are under way. The decrease reflects collections on both en-route and terminal positions written down in previous years.

Receivables for balance, which pertain to the Parent Company in their entirety, amounted to €61,392 thousand net of the discounting effect (€96,323 thousand at 31 December 2018), a net decrease of €34,931 thousand as a result of recoveries in 2019 charges and the associated recognition in profit or loss of €35.9 million and the recognition of a positive terminal balance for the first half of 2019 of €1 million. The portion of receivables for balance classified as non-current will be recovered in periods after the first half of 2019 in accordance with the recovery plans included in the performance plan and in the 2016-2019 programme contract.

14. Inventories

Inventories, which are mainly represented by spare parts, amounted to €61,261 thousand net of provisions for doubtful accounts. Changes during the period break down as follows:

(thousands of euros)	**31.12.2018**	**Increases**	**Decreases**	**30.06.2019**
Bonded inventory	64,966	1,456	(1,306)	65,116
Direct inventory	4,859	522	(206)	5,175
Flight inspection inventory	743	0	0	743
	70,568	**1,978**	**(1,512)**	**71,034**
Provision for inventory losses	(9,567)	(206)	0	(9,773)
Total	**61,001**	**1,772**	**(1,512)**	**61,261**

The increase of €1,772 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 €275 thousand, was attributable to parts of systems classified to inventories from property, plant and equipment. The decrease of €1,512 thousand, gross of the inventory loss provision, reflected the use of spare parts in operating systems.

The provision for inventory losses increased by €206 thousand for spare parts that became obsolete as they were designed for plant no longer in use.

15. Other current and non-current assets

Other current assets amounted to €56,032 thousand and other non-current assets totalled €28,725 thousand. The item breaks down as follows:

(thousands of euros)	**30.06.2019**	**31.12.2018**	**Change**
Other current receivables			
Receivables from government entities for capital grants	32,977	34,839	(1,862)
Receivables from personnel	3,542	3,707	(165)
Receivables from various entities for projects funded	4,298	21,595	(17,297)
Prepaid expenses	14,153	1,098	13,055
Other receivables	3,943	3,403	540
	58,913	**64,642**	**(5,729)**
Provision for doubtful accounts	(2,881)	(3,024)	143
Total	**56,032**	**61,618**	**(5,586)**
Other non-current receivables			
Receivables from government entities for capital grants	16,306	22,109	(5,803)
Receivables from various entities for projects funded	12,419	0	12,419
Total	**28,725**	**22,109**	**6,616**

Receivables from government entities for capital grants in the first half of 2019 decreased by €7.7 million, mainly reflecting the collection of the grant for the 4-Flight investment project at the Brindisi Area Control Centre (€8.2 million, corresponding to the amount certified in 2018). The decrease in the amount registered in other non-current receivables is attributable to the award of a number of investment projects that had not begun in 2018, with the consequent recalculation of discounting and the estimated time to recover the receivable.

Receivables from sundry entities for projects funded, totalling €16,717 thousand, decreased by €4,878 thousand in the first half of 2019, mainly reflecting the collection of the receivable in respect of the Connecting European Facility (CEF) 2015 call. The amount recognised under other non-current receivables regards the CEF 2014 call that will be collected in 2022 as notified by the European Commission, net of discounting effects.

Prepaid expenses increased by €13,055 thousand compared with 31 December 2018, reflecting the recognition of personnel expenses accruing in subsequently months, mainly INAIL fees and the 14th month salary payment to employees in June, with the portion not pertaining to the period deferred.

16. Cash and cash equivalents

The following table provides a breakdown of cash and cash equivalents at 30 June 2019.

(thousands of euros)	**30.06.2019**	**31.12.2018**	**Change**
Bank and post office deposits	284,591	316,253	(31,662)
Cash and cash equivalents on hand	66	58	8
Total	**284,657**	**316,311**	**(31,654)**

Cash and cash equivalents amounted to €284,591 thousand, a net decrease of €31,662 thousand in the period, reflecting, on the one hand, developments in receipts and payments connected with ordinary operations, which produced a positive cash flow, and, on the other, the following main events: i) payment of the dividend of about €108 million; ii) repayment of loans of €6.7 million; iii) payment to the Italian Air Force of its share of terminal receipts in the amount of €11.4 million; and iv) payment of the IRAP balance and payments on account tax liabilities totalling €7.5 million. These developments were partly offset by the receipt of grants in respect of 2014-202 NOP projects and projects funded by the Connecting European Facility 2015 and 2017 call and other projects funded for a total of €17.7 million as well as liquidity contributed by D-Flight in the amount of €6.6 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 2018, 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 2019 is broadly unchanged on that reported in the consolidated financial statements at 31 December 2018.

18. Shareholders' equity

Shareholders' equity at 30 June 2019 amounted to €1,070,212 thousand and breaks down as follows thousand.

(thousands of euros)	**30.06.2019**	**31.12.2018**	**Change**
Share capital	541,744	541,744	0
Legal reserve	31,810	26,663	5,147
Other reserves	444,342	437,856	6,486
Translation reserve	6,241	5,901	340
IAS FTA reserve	(727)	(727)	0
Reserve for actuarial gains/(losses) for employee benefits	(11,929)	(9,086)	(2,843)
Cash flow hedge reserve	1,951	1,957	(6)
Retained earnings/(loss carryforward)	19,993	18,861	1,132
Profit (loss) for the period	34,170	114,390	(80,220)
Total shareholders' equity pertaining to shareholders of the Parent Company	**1,067,595**	**1,137,559**	**(69,964)**
Share capital and reserves pertaining to non-controlling interests	2,664	0	2,664
Profit/(loss) pertaining to non-controlling interests	(47)	0	(47)
Total shareholders' equity pertaining to non-controlling interests	**2,617**	**0**	**2,617**
Total shareholders' equity	**1,070,212**	**1,137,559**	**(67,347)**

On 26 April 2019, the Ordinary Shareholders' Meeting called, among other things, to approve the financial statements at 31 December 2018 voted to distribute a total dividend of €0.1998 per share to shareholders, in line with the dividend policy announced to the market in the prospectus for the listing of the Company on the electronic stock market operated by Borsa Italiana on 26 July 2016, which is valid for 2016 and subsequent years. At 30 June 2019, share capital consisted of 541,744,385 ordinary shares with no par value.

The other reserves recorded an increase of €6,486 thousand in the first half of 2019, of which €2,011 thousand in respect of the fair value adjustment of the investment in other Aireon companies net of deferred taxes, €529 thousand attributable to the amount for the period of the reserve for the long-term incentive plan for Group management, including the portion relating to the third 2019-2021 cycle approved in May 2019, and €3,946 thousand in respect of the capital reserve deriving from D-Flight SpA.

The *reserve for actuarial gains/(losses) for employee benefits* includes the effects of the actuarial changes in employee severance benefits, net of the tax effect. The change reflects the actuarial loss of €2,843 thousand registered at 30 June 2019.

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 and the effects of the application of IFRS 16.

On 28 February 2019, the industrial partners initially formed by Leonardo S.p.A., Telespazio S.p.A. and IDS-Ingegneria dei Sistemi, acting through the specifically formed company UTM Systems & Services S.r.l. (as from 25 July 2019 formed by Leonardo S.p.A. and Telespazio S.p.A.), subscribed a capital increase with share premium for D-Flight S.p.A. with an investment of €6.6 million in order to acquire 40% of the company in accordance with the provisions of the tender process initiated by the Parent Company in 2016 and completed in 2018. The tender also gave Leonardo S.p.A. responsibility for designing the system and development of most of the software services, using a security by design approach to ensure security. The Parent Company retains 60% of D-Flight, which in view of the shareholders' agreement signed in concomitance with UTM's acquisition of the stake in D-Flight fully safeguards the majority shareholder.

19. Provisions for risks and charges

Provisions for risks and charges amounted to €2,538 thousand, of which the portion classified in current liabilities totalled €1,047 thousand, and changed as follows during the period:

(thousands of euros)	**31.12.2018**	**Increases**	**To profit or loss**	**Uses**	**30.06.2019**
Provisions for disputes with personnel	1,225	112	(305)	(31)	1,001
Provisions for other pending litigation	72	55	0	0	127
Other risk provision	1,410	0	0	0	1,410
Total provisions for risks and charges	**2,707**	**167**	**(305)**	**(31)**	**2,538**

Provisions for disputes with personnel, the short-term portion of which amounted to €921 thousand, decreased by €224 thousand in the period, referring for €336 thousands to the closure of some disputes with the personnel, and for €112 thousands for an update of the estimate of the liabilities whose occurrence is considered probable. At 30 June 2019, the total value of legal claims relating to outstanding disputes for which Group legal counsel have deemed the risk of a loss to be *possible* was €1 million.

Provisions for other pending litigation, classified entirely under short-term liabilities, increased slightly in the period in reflection of an increase in the liability in respect of a dispute with a supplier. At 30 June

2019, the estimated charges related to outstanding disputes, for which Group legal counsel have deemed the risk of a loss to be *possible,* is €1.3 million.

20. Severance pay and other employee benefits

The provision for severance pay and other employee benefits amounted to €54,391 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)	**30.06.2019**	**31.12.2018**
Liabilities for employee benefits at the beginning of the period	**52,280**	**55,636**
Interest cost	306	696
Actuarial (gains)/losses on defined benefits	3,740	(1,404)
Advances, benefit payments and other variations	(1,935)	(2,648)
Liabilities for employee benefits at the end of the period	**54,391**	**52,280**

The interest cost component of the provision, equal to €306 thousand, was recognised under financial expense. The utilisation of €1,935 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 2019 this calculation generated actuarial losses of €3,740 thousand.

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

	30.06.2019	**31.12.2018**
Discount rate	0.77%	1.57%
Inflation rate	1.50%	1.50%
Rate of annual increase in severance pay	2.625%	2.625%
Expected turnover rate	4.00%	4.00%
Expected rate of advances	2.50%	2.50%

The discount rate used to calculate the present value of the obligation was determined, consistent with paragraph 83 of IAS 19, using the IBoxx Corporate AA Index with a duration of 10+observed at the measurement date and commensurate with the average length of future service of the personnel involved. The inflation rate was calculated on the basis of current economic conditions, where the majority of economic indicators have been particularly volatile, selecting a rate of 1.5%. 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; (iii) financial derivatives; and (iv) the bond issued by the Parent Company on 4 August 2015, with interest expense accrued for the first half of 2019 included under current liabilities.

The values at 30 June 2019 compared with those at 31 December 2018 and the associated changes are shown below:

		30.06.2019			31.12.2018			Change	
(thousands of euros)	current	non-current	Total	current	non-current	Total	current	non-current	Total
Bank loans	13,557	150,498	164,055	13,506	157,253	170,759	51	(6,755)	(6,704)
Lease liabilities under IFRS 16	2,406	7,535	9,941	0	0	0	2,406	7,535	9,941
Financial instruments - derivatives	4	5	9	0	0	0	4	5	9
Bond	3,141	180,000	183,141	1,418	180,000	181,418	1,723	0	1,723
Total	**19,108**	**338,038**	**357,146**	**14,924**	**337,253**	**352,177**	**4,184**	**785**	**4,969**

The following table provides a breakdown of net financial debt at 30 June 2019 compared with 31 December 2018, 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)	30.06.2019	of which with related parties	31.12.2018	of which with related parties
(A) Cash	284,657	534	316,311	558
(B) Other cash equivalents	0	0	0	0
(C) Trading securities	0	0	0	0
(D) Liquidity (A)+(B)+(C)	**284,657**	**534**	**316,311**	**558**
(E) Current financial receivables	**9,014**	**0**	**9,001**	**0**
(F) Current financial debt	0	0	0	0
(G) Current portion of non-current debt	(16,698)	0	(14,924)	0
(H) Other current financial debt	(2,406)	0	0	0
(I) Current financial debt (F)+(G)+(H)	**(19,104)**	**0**	**(5,923)**	**0**
(J) Net current financial debt/Liquidity (D)+(E)+(I)	**274,567**	**534**	**310,388**	**558**
(K) Non-current bank loans	(150,498)	0	(157,253)	0
(L) Bonds issued	(180,000)	0	(180,000)	0
(M) Other non-current debt	(7,535)	0	0	0
(N) Non-current financial debt (K)+(L)+(M)	**(338,033)**	**0**	**(337,253)**	**0**
(O) CONSOB Net financial debt (J)+(N)	**(63,466)**	**534**	**(26,865)**	**558**
(P) Current and non-current derivatives	(9)	0	6	0
(Q) Non-current financial receivables	24,933	0	24,901	0
(R) ENAV Group net financial debt (O)+(P)	**(38,542)**	**534**	**(1,958)**	**558**

Bank loans at 30 June 2019 decreased by a net €6,704 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 €4,027 thousand, with the final payment falling due on 19 December 2029.

The instalments of the above loans falling due in the first half of 2020 in line with the repayment plans are recognised under current liabilities in the total amount of €13,557 thousand, which includes the effect of amortised cost measurement.

At 30 June 2019, the Group had unused short-term credit lines totalling €221.5 million, including committed lines of €70 million and uncommitted lines of €151.5 million.

The average annual interest rate on bank loans in the reference period was 1.68%.

Lease liabilities under IFRS 16 include a total of €9,941 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 2019, that liability increased following the renegotiation of the lease of the subsidiary Techno Sky, which increased its amount and duration, and declined as a consequence of payments made in the first half of 2019 of €1,050 thousand.

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 2019, was estimated at €193.1 million.

22. Current and non-current trade payables

Trade payables amounted to €124,601 at 30 June 2019 and showed a net decrease of €1,521 thousand on 31 December 2018, reflecting the changes in the items reported in the following table:

(thousands of euros)	**30.06.2019**	**31.12.2018**	**Change**
Current trade payables			
Payables to suppliers	76,673	88,736	(12,063)
Payables for advances received for projects with EU financing	18,062	14,489	3,573
Payables for balance	29,866	22,897	6,969
Total	**124,601**	**126,122**	**(1,521)**
Non-current trade payables			
Payables for balance	22,904	34,842	(11,938)
Total	**22,904**	**34,842**	**(11,938)**

Payables to suppliers of goods and services necessary for the Group's operations decreased by €12,063 thousand compared with 31 December 2018, mainly reflecting a decline in payables associated with operating contracts and investments recognised in the period.

Payables for advances received for projects with EU financing, amounting to €18,062 thousand, increased by a net €3,573 thousand, mainly reflecting receipt of the first pre-financing of the Connecting Europe Facility (CEF) project for 2017 and the receipts obtained under the SESAR 2020 programme.

Payables for balance amounted to €52,770 thousand, of which the part classified under current payables came to €29,866 thousand and corresponds to the amount that will be charged to profit or loss in 2020 in accordance with changes in charges. The overall net decrease of €4,969 thousand in payables for balance at 30 June 2019 compared with 31 December 2018 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 2019 in the amount of €10,361 thousand, compared with negative balance recognised in the period and classified under non-current payables in the amount of €5,483 thousand. Those balances regard: i) an en-route balance amounting to €1,947 thousand, having generated a final difference between service units provided for in the performance plan and the service actually registered of +2.38%, leading to the recognition of a payable due to carriers; ii) a terminal balance for charging zone 2 showing a final difference with planned service units of +11.46%.

23. Other current and non-current liabilities

Other current and non-current liabilities showed an overall increase of €14,760 thousand compared with 31 December 2018, as a result of the changes in the items reported in the following table:

(thousands of euros)	30.06.2019 current	non-current	Total	31.12.2018 current	non-current	Total	Change current	non-current	Total
Payments on account	42,962	0	42,962	80,985	0	80,985	(38,023)	0	(38,023)
Other payables	100,233	0	100,233	43,037	0	43,037	57,196	0	57,196
Deferred income	8,129	167,248	175,377	7,304	172,486	179,790	825	(5,238)	(4,413)
Total	**151,324**	**167,248**	**318,572**	**131,326**	**172,486**	**303,812**	**19,998**	**(5,238)**	**14,760**

Payments on account amounted to €42,962 thousand and include €36,533 thousand in respect of the Parent Company's debt to the Italian Air Force (IAF) for the portion of accrued revenues received in the first half of 2019 for en-route and terminal services and €6,429 thousand in respect of the debt to Italian Civil Aviation Authority (ENAC) for accrued revenues concerning en-route and terminal services. The net decrease of €38,023 thousand for the first half reflects the following events: i) offsetting of Italian Air Force (IAF) payments on account for en-route services registered at 31 December 2018 in the amount of €65,100 thousand against the receivable due from the Ministry for the Economy and Finance (MEF) of €13,076 thousand, with the associated liability to the MEF recognised in the amount of €52,024 thousand under other payables in other current liabilities; ii) payment to the IAF of the receipts pertaining to it for the second half of 2018 for terminal services in an amount of €11,435 thousand; iii) recognition of the amounts accrued in the period pertaining to the IAF and ENAC for a total of €38,512 thousand.

Other payables amounted to €100,233 thousand, a net increase of €57,196 thousand compared with 31 December 2018. This mainly reflected: i) the recognition of the payable to the MEF in the amount of €52,024 thousand following the developments noted earlier; ii) the recognition of an increase in payable to personnel, amount to €38,748 thousand (€35,553 thousand at 31 December 2018), primarily in respect of the liability for holiday entitlement accrued and not taken, as personnel used fewer vacation days in the first half of 2019, and provisions for other items, such as thirteenth month salary payments and variable remuneration connected with agreements for the 2019 summer season; and iii) an increase of €1.9 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 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 call of the CEF programme. The net decrease of €4,413 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 €4,695 thousand.

24. Tax and social security payables

Tax and social security payables amounted to €53,443 thousand and break down as shown in the following table.

(thousands of euros)	**30.06.2019**	**31.12.2018**	**Change**
Tax payables	20,498	10,484	10,014
Social security payables	32,945	21,621	11,324
Total	**53,443**	**32,105**	**21,338**

Tax payables showed a net increase of €10,014 thousand, mainly reflecting an increase in IRPEF withholdings paid in July in respect of the payment of the fourteenth month salary payment in June to personnel.

Social security payables rose by €11,324 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.

Notes to the consolidated interim 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 €399,430 thousand, up €6,309 thousand compared with the same period of the previous year, mainly due to the increase in revenues generated by the expansion of air traffic during the period.

The following tables provide a breakdown of the individual items that compose 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 2019	1st Half 2018	Change	%
En-route revenues	310,141	301,324	8,817	2.9%
Terminal revenues	108,814	102,834	5,980	5.8%
En-route and terminal exemptions	6,198	6,590	(392)	-5.9%
Revenues from non-regulated market	4,091	6,399	(2,308)	-36.1%
Total revenues from operations	**429,244**	**417,147**	**12,097**	**2.9%**
Balance	(29,814)	(24,026)	(5,788)	24%
Total revenues from contracts with customers	**399,430**	**393,121**	**6,309**	**1.6%**

En-route revenues

En-route revenues amounted to €310,141 thousand, up €8,817 thousand (+7.5%) on the year-earlier period (+9.1% first half of 2018 over first half of 2017), reflecting an increase in service units generated during the period, which involved all three types of traffic. The increase in traffic made it possible to offset the reduction of 2.5% in the en-route charge (€77.96 in 2019 compared with €79.98 in 2018). The reduction net of balance amounted to 4%.

Considering en-route revenues including the exempt flights component, which were broadly in line with the first half of 2018, 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 2019 and, consequently, profit or loss for the same year, en-route revenues totalled €289,266 thousand, an increase of €6,386 thousand, as shown below:

(thousands of euros)	1st Half 2019	1st Half 2018	Change
En-route revenues	310,141	301,324	8,817
En-route exemptions	5,019	5,180	(161)
Subtotal	*315,160*	*306,504*	*8,656*
En-route balance for the period	(1,948)	948	(2,896)
Discounting of balance for the period	32	(15)	47
Use of en-route balance n-2	(23,978)	(24,557)	579
Subtotal	*(25,894)*	*(23,624)*	*(2,270)*
Total revenues from en-route operations net of balance	**289,266**	**282,880**	**6,386**

The en-route balance had a negative impact totalling €25,894 thousand, an increase of €2,270 thousand compared with the first half of 2018, mainly reflecting developments in the traffic risk component reimbursed to carriers owing to the increase in service units generated during the period over the level expected in the performance plan, which gave rise to a difference of +2.38%. This exceeded the +/-2% band that is charged to the service provider, leading to the recognition of that balance. In the first half of 2018, the service unit delta had been -1.76%, leading to the recognition of a number of balance components with the exception of the traffic risk balance of the Parent Company, as the change in service units fell within the +/-2% band charged to service providers. The use of en-route balances n-2, recorded in previous years and included in the 2019 charge, stands at €23,978 thousand, broadly in line with the figure for the same period of the previous year.

Terminal revenues

Terminal revenues amounted to €108,814 thousand, an increase of 5.8% compared with the same period of the previous year, due to the increase in service units posted by the individual airports, divided by charging zones, which came to 5.7% overall (+4.4% in the first half of 2018 over first half of 2017), offsetting the reduction in charges applied in the second and third charging zones.

In particular, Charging Zone 1, represented by Rome Fiumicino airport, posted an increase in assisted air traffic, expressed in service units, of +4.1% (+4.6% first half of 2018 over first half of 2017), with rises in both domestic and international traffic and an increase of 1.81% in the charge over the 2018 charge (€190.69 in 2019 compared with €187.30 in 2018). Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted a strong performance, with an increase in assisted air traffic, expressed in service units, del 6.3% compared with the first half of 2018 (+4.1% first half of 2018 over first half of 2017), with most of the growth coming in domestic traffic, offsetting the reduction of 2.71% in the charge to €197.56 in 2019 (from €203.06 in 2018). Charging Zone 3, which comprises 40 medium- and low-traffic airports recorded an increase in assisted air traffic, expressed in service units, of +6.1% (4.4% first half of 2018 over first half of 2017), with growth in both domestic and international traffic, offsetting the reduction of 0.37% in the charge to €318.98 (from €320.18 in 2018).

Considering terminal revenues including the exempt flights component, which decreased by €231 thousand owing to a decrease in service units in all three charging zones and the adjustment component for balances, which includes the portion recognised in the period and the portion recognised in previous years and included in charges in 2019 and, consequently, profit or loss, terminal revenues totalled €106,073 thousand, up €2,231 thousand on the first half of 2018, as shown below:

(thousands of euros)	**1st Half 2019**	**1st Half 2018**	**Change**
Terminal revenues	108,814	102,834	5,980
Terminal exemptions	1,179	1,410	(231)
Subtotal	*109,993*	*104,244*	*5,749*
Terminal balance for the period	(2,534)	(215)	(2,319)
Discounting of balance for the period	42	4	38
Use of terminal balance n-2	(1,428)	(191)	(1,237)
Subtotal	*(3,920)*	*(402)*	*(3,518)*
Total revenues from terminal operations net of balance	**106,073**	**103,842**	**2,231**

Terminal balance amounted to a negative €3,920 thousand, an increase of €3,518 thousand compared with the first half of 2018, due both to the increase in the use of the balance recognised in previous years and included in the charge in 2019 and thus recognised in profit or loss and to the balance recognised during the period, which show: i) for Charging Zone 1 a total positive balance of €8 thousand (a positive €231 thousand in the first half of 2018), which does not include a traffic risk balance as the difference between the number of service units actually registered and those forecast in the performance plan was -0.46% (-3.37% in the first half of 2018); ii) a negative balance of €3,336 thousand for Charging Zone 2 (a negative €1,707 thousand in the first half of 2018) as the number of service units actually registered exceeded those forecast in the performance plan by +11.46% (+5.75% in the first half of 2018); iii) a positive balance for Charging Zone 3, determined on a cost-recovery basis, of €794 thousand (€1,260 thousand in the first half of 2018) representing the difference in actual revenues and costs with respect to the forecast amounts incorporated in the charge.

Revenues from non-regulated market amounted to €4,091 thousand, a decrease of €2,308 thousand compared with the first half of 2018, mainly reflecting the decrease in activity on the project for the construction of the control tower for the Mitiga airport in Libya and the completion of the restructuring of the airspace in the United Arab Emirates. Revenues from the non-regulated market regard national and international radio-assistance services for a total of €912 thousand, training activities for €283 thousand and consulting activities, mainly on the foreign market amounting to 2,856 thousand.

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

(thousands of euros)	1st Half 2019	1st Half 2018	Change	%
Revenues from non-regulated market				
Flight inspection	912	1,343	(431)	-32.1%
Aeronautical consulting	1,265	1,833	(568)	-31.0%
Technical and engineering services	1,168	2,463	(1,295)	-52.6%
Training	283	130	153	117.7%
Other revenues	463	630	(167)	-26.5%
Total revenues from non-regulated market	**4,091**	**6,399**	**(2,308)**	**-36.1%**

26. Other operating income

Other operating income amounted to €22,563 thousand, virtually unchanged on the first half of 2018 (22,612 thousand). It includes: 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 €4,695 thousand (€4,742 thousand in the first half of 2018); 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; 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 2019 and the same period of 2018 by geographical area.

Revenues	1st Half 2019	% of revenues	1st Half 2018	% of revenues
Italy	418,955	99.3%	411,200	98.9%
EU	857	0.2%	412	0.1%
Non-EU	2,181	0.5%	4,121	1.0%
Total revenues	**421,993**		**415,733**	

(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 €66,380 thousand, showing a net decrease of €4,921 thousand on the same period of the previous year.

The following table provides a breakdown of those costs and changes for the period:

(thousands of euros)	1st Half 2019	1st Half 2018	Change	%
Costs for the purchase of goods	3,720	5,536	(1,816)	-32.8%
Costs for services:				
Maintenance costs	9,367	9,973	(606)	-6.1%
Costs for Eurocontrol fees	19,055	19,221	(166)	-0.9%
Costs for utilities and telecommunications	15,319	15,695	(376)	-2.4%
Costs for insurance	1,281	1,309	(28)	-2.1%
Cleaning and security	2,294	2,268	26	1.1%
Other personnel-related costs	5,069	5,265	(196)	-3.7%
Professional services	3,988	4,408	(420)	-9.5%
Other costs for services	3,982	3,543	439	12.4%
Total costs for services	**60,355**	**61,682**	**(1,327)**	**-2.2%**
Costs for leases and rentals	976	2,490	(1,514)	-60.8%
Other operating expenses	1,329	1,593	(264)	-16.6%
Total costs for services	**66,380**	**71,301**	**(4,921)**	**-6.9%**

Costs for the purchase of goods include costs incurred to purchase spare parts for plant and equipment used for air traffic control and the related change in inventories, as well as purchases of materials for the restructuring and modernisation of airports domestically and abroad, which decreases by €1,816 thousand as a result of the decline in activities performed by the subsidiary Techno Sky.

Costs for services showed a general decrease of €1,327 thousand, reflecting: i) a decline of 6% in maintenance costs connected with projects carried out by the subsidiary Techno Sky, which fell as a result of a decrease in activity performed in connection with investments of the Parent Company; ii) a reduction of 2.4% in costs for utilities and telecommunications services, mainly regarding data connections of the E-NET network as a result of the decommissioning of older circuits and the discount obtained from the supplier; and iii) a reduction of 9.5% in costs for professional services, mainly reflecting an decline in recourse to external professionals.

Costs for leases and rentals fell by 60.8% in the period, mainly in reflections of the application of IFRS 16 as from 1 January 2019, which involved the elimination of costs for payments in respect of property leases and car rentals, which have been classified as rights of use under property, plant and equipment and depreciated through profit or loss. The amounts reported in that item include costs for low-value and short-term leases as well as uncapitalised non-lease components, as discussed more extensively in section 4 of these notes to the financial statements.

28. Personnel costs

Personnel costs amounted to €248,859 thousand, a net increase of 1.9% on the first half of 2018, reflecting both the effects of the renewal of the bargaining agreement at the Parent Company as well as the agreements concerning the 2019 summer season and the harmonisation of the collective bargaining agreement for engineering workers at Techno Sky with the collective bargaining agreement for the air transport sector with effect from 1 January 2019.

(thousands of euros)	**1st Half 2019**	**1st Hlaf 2018**	**Change**	**%**
Wages and salaries, of which:				
Fixed remuneration	138,344	138,606	(262)	-0.2%
Variable remuneration	37,038	33,365	3,673	10.2%
Total wages and salaries	**175,382**	**171,971**	**3,411**	**2.0%**
Social security contributions	58,486	56,560	1,926	3.4%
Employee severance pay	11,785	11,334	451	4.0%
Other costs	3,206	4,430	(1,224)	-27.6%
Total personnel costs	**248,859**	**244,295**	**4,564**	**1.9%**

More specifically, fixed remuneration declined by 0.2%, benefiting from a reduction in the Group's workforce by 118 on average and 116 in effective terms compared with the corresponding period of the previous year. At the end of the first half of 2019, the workforce numbered 4,054 (4,170 units in the first half of 2018,) which offset the effects of the renewal of the bargaining agreement at the Parent Company and the higher costs deriving from the harmonization of Techno Sky's national collective bargaining agreement with that for the air transport sector. Variable remuneration rose by a net 10.2%, reflecting: i) the effects of the agreement for the 2019 summer season signed with the trade unions in April 2019 in order to ensure that all necessary actions can be taken in the June-September period to handle the increase in traffic and temporary decreases in operating personnel so as to manage operations while guaranteeing safety and on-time performance; ii) unused holiday entitlement, owing to the reduction in the number of days of holiday used during the period; iii) the number of holidays falling on non-business days, which for purely calendar reasons affected for three days in the period compared with just one day in the first half of 2018. These effects were partly offset by the reduction in the bonus of the employees of Techno Sky owing to the new method of determining the bonus set out in the bargaining agreement. Social security contributions increased by 3.4% as a result of the wage increases deriving from the factors discussed above, while other costs decreased by 27.6% due to the decline in the use of termination incentives for personnel in the period, equal to a total of €1,034 thousand (€2,179 thousand in the first half of 2018).

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

	1st Half 2019	**1st Half 2018**	**Change**
Executives	53	62	(9)
Middle managers	405	411	(6)
Office staff	3,596	3,697	(101)
Workforce at period end	**4,054**	**4,170**	**(116)**
Average workforce	**4,105**	**4,223**	**(118)**

29. Capitalised costs

Capitalised costs amounted to €12,979 thousand (16,116 thousand in the first half of 2018), showing a decrease of €3,137 thousand on the same period of 2018, mainly reflecting a decline in internal work on investment projects by the subsidiary Techno Sky, due in part to the completion of major projects that had a large impact in the first half of 2018.

30. Financial income and expense

Net financial expense totalled €2,609 thousand (€1,923 thousand in the first half of 2018), reflecting financial income of €1,274 thousand, financial expense of €3,900 thousand and foreign exchange gains of €17 thousand.

The following table provides a breakdown of financial income:

(thousands of euros)	1st Half 2019	1st Half 2018	Change	%
Income from investments in other entities	417	500	(83)	-16.6%
Financial income from discounting of balances	0	508	(508)	-100.0%
Financial income from discounting of non-current receivables	148	0	148	n.a.
Financial income from non-current financial assets	86	49	37	75.5%
Interest income on VAT receivable for which reimbursement requested	112	0	112	n.a.
Other interest income	511	406	105	n.a.
Total financial income	**1,274**	**1,463**	**(189)**	**-12.9%**

The decrease of 12.9% in financial income mainly reflects the elimination of financial income from the discounting of balances, which in the first half of 2019 showed an expense of €148 thousand. The reduction was partly offset by financial income generated by the discounting of the receivable due from Alma Mater, to which part of the Forlì Academy complex was sold in the first half of 2018 with payment in instalments, and by interest on the VAT receivable for which the Group has requested reimbursement and on securities recognised under non-current assets.

Financial expense amounted to €3,900 thousand, an increase of €374 thousand compared with the first half of 2018.

(thousands of euros)	1st Half 2019	1st Half 2018	Change	%
Interest expense on bank loans	1,210	1,330	(120)	-9.0%
Interest expense on bonds	1,723	1,723	0	0.0%
Interest expense on employee benefits	306	334	(28)	-8.4%
Interest expense on right-of-use assets	80	0	80	n.a.
Financial expense on derivatives at fair value	10	65	(55)	-84.6%
Financial expense on discounting of receivables and balances	569	0	569	n.a.
Other interest expense	2	74	(72)	-97.3%
Total financial expense	**3,900**	**3,526**	**374**	**10.6%**

The increase in financial expense mainly reflects the effect of discounting a reclassified receivable in the period, in addition to the effect of balances in the amount of €569 thousand and the financial expense accrued on the liabilities associated with right-of-use assets in accordance with IFRS 16. This increase was partially mitigated by the reduction in interest expense on bank loans given the reduction in financial liabilities.

31. Income taxes for the period

Income taxes for the period totalled €12,838 thousand, down €536 thousand compared with the first half of 2018, mainly reflecting the impact of deferred taxation, which generated revenues of €221 thousand, compared with costs in the same period of the previous year, when taxed provisions were used.

(thousands of euros)	**1st Half 2019**	**1st Half 2018**	**Change**	**%**
IRES (corporate income tax)	10,842	10,279	563	5.5%
IRAP (regional business tax)	2,218	2,241	(23)	-1.0%
Total current taxes	**13,060**	**12,520**	**540**	**4.3%**
Deferred tax assets	(139)	843	(982)	n.a.
Deferred tax liabilities	(82)	11	(93)	n.a.
Total current tax and deferred tax assets and liabilities	**12,839**	**13,374**	**(535)**	**-4.0%**

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, for the purpose of financial reporting, has two operating segments, which 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.

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

No operating segment has been aggregated to create the operating segments subject to reporting indicated below for the first half of 2019 and the first half of 2018.

First half of 2019

(thousands of euros)	Flight assistance 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)**

First half of 2018

(thousands of euros)	Flight assistance services	Maintenance services	Other sectors	Consolidation adjustments/ reclassification	ENAV Group
Revenues from third parties	411,796	2,453	1,485	0	415,734
Intersegment revenues	970	48,235	0	(49,205)	0
Total revenues	**412,766**	**50,688**	**1,485**	**(49,205)**	**415,734**
Personnel costs	(212,675)	(31,628)	(8)	16	(244,295)
Other net costs	(89,739)	(12,231)	(628)	47,413	(55,185)
Total operating costs	**(302,414)**	**(43,859)**	**(636)**	**47,429**	**(299,480)**
Depreciation and amortisation	(70,484)	(278)	(6)	1,489	(69,279)
Writedowns and provisions	1,315	0	0	0	1,315
EBIT	**41,183**	**6,551**	**843**	**(287)**	**48,290**
Financial income and expense	(1,848)	(84)	8	1	(1,923)
Income before taxes	**39,335**	**6,467**	**851**	**(286)**	**46,367**
Income taxes	(11,321)	(1,933)	(207)	87	(13,374)
Net profit (loss) for the year	**28,014**	**4,534**	**644**	**(199)**	**32,993**
Total assets	**1,986,242**	**98,878**	**60,971**	**(181,548)**	**1,964,543**
Total liabilities	**918,216**	**73,795**	**4,271**	**(89,719)**	**906,563**
Net financial position	**(190,859)**	**6,166**	**3,373**	**0**	**(181,320)**

33. Related parties

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

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

The following below report the balances of the income statement and statement of financial position resulting from Group transactions with related entities outside the Group, including those with directors, statutory auditors and key management personnel for the first half of 2019 and comparative figures for 2018 for the statement of financial position and the first half of 2018 for the income statement.

	1st Half 2019						
(thousands of euros)	Trade receivables and other current and non-current assets	Cash and cash equivalents	Financial liabilities	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for leases and rentals
External related parties							
Ministry for the Economy and Finance	6,200	534	0	81,205	6,198	0	0
Ministry of Infrastructure and Transport	94,325	0	0	0	17,903	0	0
Enel Group	0	0	0	94	0	2,473	0
Leonardo Group	447	0	0	4,456	60	1,386	0
Other external related parties	8	0	0	98	35	202	2
Related parties as % of balance in financial statements	*26.2%*	*0.2%*	*0.0%*	*31.1%*	*5.4%*	*6.3%*	*0.2%*

(thousands of euros)	Balance at 31.12.2018 Trade receivables and other current and non-current assets	Cash and cash equivalents	Financial liabilities	Trade payables and other current liabilities	1st Half 2018 Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for leases and rentals	Financial expense
External related parties								
Ministry for the Economy and Finance	13,076	558	0	65,100	6,590	0	0	0
Ministry of Infrastructure and Transpc	87,259	0	0	0	18,392	0	0	0
Enel Group	0	0	0	68	0	2	0	0
Leonardo Group	613	0	0	15,489	54	980	0	0
Invitalia Group	0	0	0	0	0	0	0	17
Poste Italiane Group	0	0	0	12	0	46	32	0
Other external related parties	0	0	0	107	80	173	2	0
Related parties as % of balance in financial statements	*28.7%*	*0.2%*	*0.0%*	*31.4%*	*6.0%*	*0.4%*	*1.4%*	*0.5%*

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 mainly involve receivables and revenue streams connected with the refund of charges for services provided by the Parent Company for exempt flights and charged to the MEF in accordance with European and Italian law, and payables for the amounts collected by the Parent Company relating to the portion attributable to the Italian Air Force for en-route charges. Following approval of the Parent Company 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 resolutions 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;
- transactions with the Enel Group regard electricity supply contracts;
- transactions with other related parties contain residual positions.

Key management personnel comprise the Enav CEO and four executives holding senior positions in the Group, appointed by the Board of Directors acting on a recommendation of the CEO following a meeting in September 2018, 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:

(thousands of euros)	**1st Half 2019**	**1st Half 2018**
Short-term remuneration payments	1,091	1,041
Other long-term benefits	0	0
Share-based payments	323	107
Total	**1,414**	**1,148**

The remuneration of the Group's Board of Auditors amounted to €92 thousand in the first half of 2019 (€70 thousand in the first half of 2018).

The Parent Company, and as from 1 January 2019, 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 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 beneficiaries of the Plan are the CEO and a number of mangers 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.

On 15 May 2019, the Board of Directors approved the start of the third cycle for 2019-2021.

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.
The performance targets are composed of the following indicators:

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

With regard to the market-based component, the calculation method used is the Monte Carlo method, which, on the basis of appropriate assumptions, made it possible to define a large number of alternative scenarios over the time horizon considered. By contrast, the non-market-based component is not significant for the purpose of estimating the fair value at the time of the grant, but it must be updated at every reporting date to take account of the expectations for the number of rights that may vest based on the performance of EBIT and free cash flow compared with the Plan targets.
The cost for the three cycles of the incentive plan in the first half of 2019 came to €0.5 million.

35. Derivatives

In April 2019, the Parent Company entered into five derivative contracts, one of which was exercised during the first half of 2019, with the aim of hedging the exposure to unfavourable developments in the euro/US dollar exchange rate underlying the Data Services Agreement between the Parent Company and Aireon LLC for the acquisition of satellite surveillance data. This contract provides for the payment of service fees denominated in dollars on an annual basis up to 2023. The exchange rate risk has been managed using forward currency purchases, whose residual notional value at the reference date was $4.2 million.
The fair value of derivative instruments at 30 June 2019 was a negative €8 thousand (of which €5 thousand classified as non-current liabilities and €3 thousand as current liabilities). 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 financial year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0	30,096	6,272	36,368
Deferred tax assets	0	16,774	0	16,774
Non-current tax receivables	0	24,858	0	24,858
Non-current trade receivables	0	10,842	0	10,842
Other non-current receivables	0	28,725	0	28,725
Total	**0**	**111,295**	**6,272**	**117,567**
Financial liabilities	19,108	241,962	96,076	357,146
Deferred tax liabilities	0	4,469	0	4,469
Other non-current liabilities	0	30,434	136,813	167,247
Non-current trade payables	0	22,904	0	22,904
Total	**19,108**	**299,769**	**232,889**	**551,766**

Non-current financial assets maturing in more than 5 years refer to the receivable due from the company from which the Techno Sky business unit was purchased and represents the employee severance indemnity that is presumed to have been retained within the company in the period.

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.

37. Basic and diluted earnings per share

Basic earnings and diluted earnings per share, both amounting to €0.06 per share, are reported at the end of the income statement and are calculated by dividing the profit for the period attributable to the Parent Company’s shareholders by the weighted average number of ordinary shares outstanding during the period.

38. Events after the reporting date

On 18 July 2019 the Parent Company finalised the acquisition of 100% of the share capital of IDS AirNav Srl, a company to which on 28 June 2019 IDS - Ingegneria dei Sistemi S.p.A. had transferred its Air Navigation division. The price was determined following a due diligence process performed during the first half of 2019 with the support of legal and financial advisors and provisionally set at €41 million, net of the adjustments provided for in the preliminary contract, and corresponding to an EV/EBITDA multiple of 5.5x (2018 EBITDA equal to €8.9 million). The final price is subject to subsequent price adjustments that will be finalised by 31 December 2019.

In conjunction with the closing, an agreement was signed between the parties providing for the faculty for the Parent Company, by June 2020, to also take over the activities of the Air Navigation division, currently incorporated in IDS North America and IDS Australasia in a manner to be defined subsequently and subject to the successful completion of due diligence activities.

With its 150 employees, IDS AirNav will maintain its focus on the development of software solutions in the areas of aeronautical information management and air traffic management currently used by some one hundred customers in Italy, Europe and non-European countries. The division involved in the operation offers a complete set of complementary solutions to those offered by Enav with regard to the development suite for airspace design, the database for the management of aeronautical information and other essential services for air traffic control service providers.

This acquisition also targets objectives consistent with the Business Plan and the business development strategy of the Enav Group, fostering the consolidation of its skills in the non-regulated market through the provision of Air Traffic Management services and technologies that will make it possible to expand the product portfolio and geographical penetration.

Certification of the Chief Executive Officer and the manager responsible for Financial Reporting

Attestation of the condensed consolidated interim financial statement for the six months ended 30 June 2019 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 Roberta Neri, as Chief Executive Officer, and Loredana Bottiglieri as Manager responsible for Enav SpA's financial reporting, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, hereby attest to:
   - the adequacy with regard to the nature of the Enav Group and
   - the effective application of the administrative and accounting procedures adopted in preparation of the Enav Group's condensed consolidated interim financial statements during the period from 1 January 2019 to 30 June 2019.
2. In this regard, it should be noted that:
   - the adequacy of the administrative and accounting procedures adopted in preparation of the Enav Group's 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 2019:

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

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

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

3.2 the Directors' 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, 6 August 2019

Chief Executive Officer	Manager responsible for financial reporting
Roberta Neri	Loredana Bottiglieri

Independent Auditor's report

Building a better working world

Enav S.p.A.

Interim condensed consolidated financial statements as of June 30, 2019

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, 2019. 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, 2019 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.

Rome, August 6, 2019

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

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

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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

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