



**Draft Enav S.p.A. Financial Statements
and Enav Group Consolidated Financial Statements
at 31 December 2017**



Annual Financial Report

2017



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Introduction

The Enav Group in figures

Financial data	2017	2016	Variations	%
Total revenues	881,824	865,271	16,553	1.9%
EBITDA	283,595	254,879	28,716	11.3%
EBITDA margin	32.2%	29.5%	2.7%	9.2%
EBIT	146,682	116,884	29,798	25.5%
EBIT margin	16.6%	13.5%	3.1%	23.1%
Profit for the year attributable to the Group	101,498	76,345	25,153	32.9%
<i>(value in thousands of euro)</i>				
Equity and Financial data	31.12.2017	31.12.2016	Variations	%
Net invested capital	1,237,447	1,219,947	17,500	1.4%
Equity	1,119,965	1,119,826	139	0.0%
Net Financial indebtedness	117,482	100,121	17,361	17.3%
<i>(value in thousands of euro)</i>				
Other indicators	2017	2016	Variations	%
En route service units	8,631,816	8,299,670	332,146	4.0%
Terminal service unit 1st charging zone	217,831	225,696	(7,865)	-3.5%
Terminal service unit 2nd charging zone	313,846	300,716	13,130	4.4%
Terminal service unit 3rd charging zone	404,184	382,518	21,666	5.7%
Free cash flow	78,622	135,760	(57,138)	-42.1%
Headcount at end of year	4,181	4,233	(52)	-1.2%



Report on Operations

Corporate and Control Boards

Board of Directors (*)

Chair	Roberto Scaramella
Chief Executive Officer	Roberta Neri
Board Members	Giuseppe Acierno Maria Teresa Di Matteo Nicola Maione Fabiola Mascardi Carlo Paris Antonio Santi Mario Vinzia

Control, Risk and Related Parties Committee (**)

Chair	Nicola Maione
Members	Antonio Santi Mario Vinzia

Remuneration and Appointments Committee (**)

Chair	Carlo Paris
Members	Giuseppe Acierno Maria Teresa Di Matteo Fabiola Mascardi

Board of Statutory Auditors (***)

Chair	Franca Brusco
Statutory Auditors	Mattia Berti Donato Pellegrino
Alternate Auditors	Maria Teresa Cuomo Francesco Schiavone Panni

Judge of the Court of Accounts delegated to control of Enav S.p.A. (****)

	Mauro Orefice
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Independent Auditors

	EY S.p.A.
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(*) The Shareholders' Meeting of 28 April 2017 appointed the Board of Directors for the three-year period 2017-2019 and defined the number of members as 9.

(**) On 4 May 2017 the Board of Directors reconstituted the Committees, both composed of Non-executive directors, the majority of whom are independent.

(***) The Shareholders' Meeting of 28 April 2017 appointed Francesco Schiavone Panni as an alternate auditor to supplement the Board of Statutory Auditors. All the members of the Board of Statutory Auditors will remain in charge until the Shareholders' Meeting called to approve the 2018 financial statements.

(****) The Board of the Court of Accounts appointed Mauro Orefice, with effect from 1 January 2018, entrusting him with the function of delegated holder over financial management of Enav replacing Angelo Buscema.

Corporate governance

The *2017 Report on Corporate Governance and the Ownership Structure* (hereinafter the "Report"), required by Article 123-bis of Legislative Decree No 58 of 24 February 1998 Consolidated Finance Act (TUF) was prepared as an autonomous document approved by the Board of Directors on 12 March 2018, published on the Company's website at www.enav.it in the *governance* section.

The Report was prepared in line with the recommendations of the Code of Corporate Governance of listed companies promoted by Borsa Italiana and taking the format for the Report on Corporate Governance and Ownership Structure prepared by Borsa Italiana S.p.A. as a model.

The Report provides a comprehensive and full picture of the corporate governance system adopted by Enav S.p.A. The profile of the Company and the principles it draws its inspiration from are illustrated; it contains information about the ownership structure and compliance with the Code of Corporate Governance, including the main governance practices applied and the main characteristics of the internal control and risk management system; it contains a description of the operation and composition of the administrative and control boards and committees.

The criteria for calculating directors' payments are illustrated in the *2017 Remuneration Report*, prepared in compliance with the obligations of Article 123-ter of the TUF and Article 84-quater of the Consob Issuer's Regulation and published in the governance section of the Company's website.

Consolidated disclosure of non-financial statements

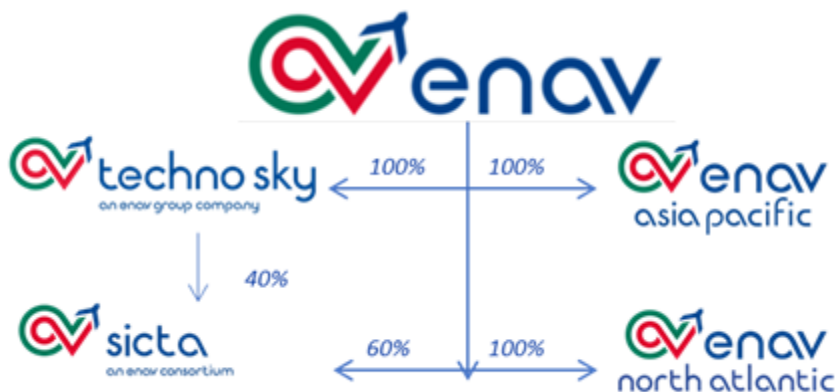
Directive 2014/95/EU of the European Parliament and Council of 22 October 2014 (the Directive) contained amendments to Directive 2013/34/EU because it concerns the disclosure of non-financial information and information on diversity by certain companies and certain large groups.

For the implementation of the Directive, as far as the national law was concerned, Legislative Decree No. 254 of 30 December 2016 was issued (the Decree), which came into force on 25 January 2017, which requires that, from the financial statements for the year 2017, some parties pursuant to Article 2 have to report specific non-financial information in a Non-Financial Statement, in accordance with the guidelines included in the Decree.

The company, in compliance with the provisions of Article 5, paragraph 3, letter b of Legislative Decree 254/2016, prepared a consolidated non-financial statement which constitutes a separate report. The 2017 consolidated non-financial statement, prepared in accordance with GRI Standards is available on the Company's website, at www.enav.it.

Ownership structure of the Enav Group

A brief description of the companies within the scope of consolidation is provided below.



Enav, active in the *flight assistance services* operating segment, provides air traffic control and management services and other essential air navigation services, in Italian airspace and in the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and the enhancement of the technology and infrastructure of flight assistance systems. These infrastructures require constant maintenance and continuous development to guarantee safety, punctuality and operational continuity. However, this is clearly stated in the European Union’s Single European Sky regulations that on the one hand define the 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.

Enav is the fifth largest player in Europe and an important global player in the Air Traffic Control (ATC) services sector.

Enav operates in a regulated sector and is subject to a collection of rules and regulations related mainly to the Single European Sky regulatory framework.

Techno Sky, active in the *maintenance services* operating segment, is wholly-owned by Enav and is the company engaged in the engineering, logistics and maintenance services for Enav, ensuring full operational efficiency and constant availability of the plant, systems and software used for air traffic control in Italy without interruption. Techno Sky possesses an endowment of unique skills, technologies and experiences



gained in over forty years of operation in the Air Traffic Management (ATM), ICT, weather forecast and security systems market.

Enav Asia Pacific Sdn Bhd, active in the residual *other sectors* operating segment, is a Malaysian company wholly-owned by Enav and carries out aeronautical consultancy activities for the Malaysian Department of Civil Aviation, also engaged in promoting and developing the Group's sales and marketing activities in countries within Asia and Oceania.

Enav North Atlantic LLC, active in the residual *other sectors* operating segment, is a US company based in Delaware that is wholly-owned by Enav. The company was established in January 2014 as a limited liability company in order to participate in an investment through the acquisition of 12.5% of the share capital of Aireon LLC, a US company in the IRIDIUM Group, which is responsible for the design, financing and installation of a global satellite surveillance service which uses ADS-B technology. Specifically, the Aireon satellite system is designed to allow extensive surveillance of all global routes by exploiting second generation satellite networks, with reference mainly to polar, ocean and remote areas currently not covered by the radar-based air traffic control service.

Sicta Consortium in liquidation, active in the residual *other sectors* operating segment, is 60% owned by Enav and 40% by Techno Sky, and was placed into voluntary liquidation through the Resolution of the Shareholder's Meeting of the Sicta Consortium held on 3 March 2017 with the entire shareholding present, which took effect starting from the recording of the resolution in the companies register on 28 March 2017.

Information on Enav stock in 2017

For Enav, 2017 represented its first full year as a listed company on the Mercato Telematico Azionario (MTA) managed by Borsa Italiana S.p.A. and the performance of its stock was positive. Opening the year at €3.36, the shares gradually gained ground closing 2017 at €4.51 (+36.42% without taking into consideration the dividend and the bonus shares), corresponding to a stock market capitalisation of euro 2.44 billion. In the same period the FTSE MIB Index, the stock market index of the 40 major Italian stocks, recorded an increase of 11.69% and the FTSE Mid Cap Index, which Enav is part of, recorded a 30.53% increase.

In addition to the good results achieved by the Enav Group during the year, the introduction to the Italian market of Individual Savings Plans (PIR) also contributed to the positive performance of the stock; thanks to the tax benefits for investors, this led to a good influx of capital, particularly for the financial instruments issued by Italian SMEs.



On 30 October 2017 it was concluded the assignment process of free shares to the entitled parties, in compliance with the provisions of the Prospectus for the Initial Public Offering, identified in shareholders who maintained full ownership of the shares purchased during the initial public offering for twelve months without interruption (bonus shares). The assignment of free shares, provided by the Selling Shareholder, the Ministry of Economy and Finance (MEF), involved a total of 524,790 ordinary shares of which 469,380 ordinary shares assigned to the general public and 55,410 ordinary shares assigned to employees of the Enav Group. As a result of the MEF assignment of free shares, as at 31 December 2017, the share capital of Enav was €541,744,385, broken down as follows: 53.28% owned by the MEF and 46.72% owned by the market with a significant component of retail investors, some of which are leading US, Canadian, Australian and European institutional investors and some of the major international sovereign funds.

Operating results

Reference scenario and operating result

According to the latest figures published by Banca d'Italia in the January 2018 "Economic Bulletin", during 2017 the expansion of global economic activity was solid and widespread and also short-term growth perspectives remained favourable. This performance was confirmed in the positive values of the economic indicators in the Euro Zone and, even if to a lesser extent, in the Italian economy as well. Specifically, note the increase in confidence for companies in Italy returning to pre-recession levels, an increase in employment on an annual basis (+0.8%), a return to positive figures for inflation (+1.3%, EUROSTAT January 2018), and a Gross Domestic Product which, based on the figures published in the Banca d'Italia bulletin, rose by 1.5% compared with the previous year.

Driven by the positive economic situation, air traffic trends during the year were particularly positive, with a result at the end of 2017 4% higher in terms of service units. Although the performance of both service units (-0.9%) and the number of assisted flights (-1.5%) fell in the first part of the year, caused specifically by the reduction in overflight and domestic traffic, starting from the second quarter of the year this trend was essentially reserved with increases in all types of traffic.

Specifically, note how during 2017 Italy recorded growth in terms of service units supported in particular in April and June (+5.4%), September (+6.6%), culminating in October at +7.4%. The progression in the results previously observed ensured that the result recorded by Italy in the months reported above was higher than the figures of European providers which traditionally highlighted higher volumes than Italy (such as, for example, France and Germany).

Note how this result is also related to the implementation, by Enav, of the Free Route project in domestic airspace. Following the implementation of this programme, all overflight aircraft at an altitude of more than 11,000 metres, passing through Italian airspace on a direct route were allowed to do so without having to refer mandatorily to the network transit points. This system is a considerable innovation for air transport, domestic and European, because fully compliant with the highest security levels, air transport companies in transit over domestic airspace can plan the shortest routes, without constraints, with savings in term of fuel and management costs. In 2017, airline companies that flew over Italian airspace saved a total of approximately 30 million kg of fuel with lower CO2 emissions into the environment of approximately 95 million kg. Taking into consideration an average cost for aviation fuel of €0.74 per kg, the estimated benefit for carriers should exceed €22 million. Also thanks to the possibility of planning shorter routes, routes were acquired in 2017 which previously didn't pass through Italian airspace such as Istanbul-Caracas, Istanbul-Havana, Shanghai-Barcelona.

Conversely, it should also be pointed out that during 2017 air traffic involving Italy suffered from the negative effects created by the continuation of unfavourable exogenous factors, such as the ongoing



restrictions over Libyan airspace and the organisational and operational restructuring of Alitalia which went into extraordinary administration in May.

In line with the above results, the figures made available by Assaeroporti show that the number of passengers passing through Italian airports increased in total by +6.4% (equal to approximately 10.7 million passengers) compared with 2016. Specifically, an increase of +3.0% was recorded in the year for domestic passengers (approximately 1.8 million) and +8.3% for international passengers (approximately 8.9 million).

In this context, Enav was the best performer in Europe in terms of service quality, thanks to the excellent service it provides airline companies in terms of punctuality. Indeed, for the third consecutive year of the second regulatory period, the Company reached the operating performance targets set in the Performance Plan, both as far as routes and terminals were concerned. Specifically, as far as routes are concerned, compared with the target of 0.11 minutes of delay per assisted flight, a result of 0.009 minutes/flight was achieved. For terminals, compared with the target of 0.02 minutes/flight, the Company produced a performance of 0.01 minutes/flight. The Company's strong commitment to maintaining the highest service quality levels, for both routes and terminals, has allowed to obtain the recognition of the bonus provided in the Performance Plan.

The higher revenue from the increase in traffic of the en-route and terminal components, the recognition of the operating performance bonus, the decrease in Group operating costs, following the actions adopted by the Enav Group increasingly focused on the constant optimisation of support processes and spending efficiency, as well as the non-regulated market results, have enabled the Enav Group to achieve a profit for the period of €101.5 million.

As far as EBITDA for 2017 is concerned (€283.6 million), this shows an increase both compared with the actual figure for the previous year (+11.3%) and with the Budget plans (+7.6%).

It should be stressed how the substantial reduction in 2017 of Group operating costs (-7.8% compared with the actual figure and -9.5% compared with the budget figure) made it possible to essentially cancel out the effects caused, on the one side, by actual traffic volume figures lower than the forecasts in the Plan and, on the other side, by inflation dynamics which, for 2017 as well, have generated a balance reimbursed to the market. Note, in this regard, that, in spite of the actual inflation rate figure being in line with the rate forecast in the Performance Plan, the balance computation mechanism suffered from the cumulative effect of differences between planned inflation and the actual inflation during the years of the regulatory period.

In general terms, it can be confirmed that, in line with previous year, the results achieved in 2017 by the Enav Group are representative of the efforts made by all Group companies aimed at offering an increasingly more efficient and effective service, at the same time responding to the challenges set by the macro economic scenario, the market and regulations over the year which, for the first time, saw the Group as a whole listed on the Stock Exchange.

Market and air traffic trends

Air traffic control activities in the countries of the Eurocontrol area in 2017 recorded a significant increase in traffic in terms of en-route service units (*) compared with the previous year, with the Eurocontrol area countries recording an overall result up 6.2%.

Among the major European providers, there were generalized increases in en-route service units, including +8.2% for Great Britain, +7% for Spain, +6% for Germany and +4.9% for France.

In this context of growing en-route air traffic, the result recorded in Italy also stands at positive values with an increase in service units (SUs) of +4% compared with the previous year, thanks, especially, to the growth recorded in the second part of the year.

Total route traffic to service units (**)	31.12.2017	31.12.2016	Variations	
			no.	%
France	20,862,129	19,881,541	980,588	4.9%
Germany	14,374,175	13,560,219	813,956	6.0%
Great Britain	11,767,621	10,874,603	893,018	8.2%
Spain	10,440,757	9,760,665	680,092	7.0%
Italy (***)	8,631,816	8,299,670	332,146	4.0%
Eurocontrol	141,920,453	133,631,234	8,289,219	6.2%

(*) traffic flying over Italian airspace, with or without stopover.

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

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

En-route traffic

En-route traffic in Italy in 2017 showed an increase of +4.0% in the service units reported by Eurocontrol (the same value if the remaining category *Exempt not reported to Eurocontrol* is included) and an increase in the number of managed flights of +2.6% (+1.5% if the residual category *Exempt not reported to Eurocontrol* is included).

The 2017 featured constant traffic volume trends, improving progressively. In effect, after a quarter which ended with a reduction in both service units (-0.9%) and the number of managed flights (-1.5%), the subsequent quarters, coinciding with the summer season, revealed a reversal of the trend with significant increases in terms of SUs, of respectively +4.9% in the second quarter and +4.6% in the third quarter. The performance in the last quarter of the year was even better than in the previous ones, up 6.3% compared with the same period of 2016.

In this regard, note the positive performance of service units in spite of the incomplete reopening of the Libyan airspace and the effects associated with the organisational and operational restructuring of Alitalia. Conversely, the positive effects related to the implementation by Enav of the Free Route project, which permits all aircrafts overflying at an altitude of more than 11,000 metres, irrespective of whether they land

or take off from Italian airports, to pass through domestic airspace on a direct route without having to rely on network transit points, mitigated such circumstances. The positive impact of Free Routes was mainly observed on longer distance flights over domestic airspace.

As far as en-route traffic is concerned, the results for the year both in terms of the number of flights managed and service units are given below.

Traffic en-route (Number of flights)	2017	2016	Variations	
			no.	%
Domestic	286,734	288,625	(1,891)	-0.7%
International	927,155	895,067	32,088	3.6%
Overflight	571,552	551,678	19,874	3.6%
Paying total	1,785,441	1,735,370	50,071	2.9%
Military	34,251	34,729	(478)	-1.4%
Other exempt	17,534	20,134	(2,600)	-12.9%
Total exempt	51,785	54,863	(3,078)	-5.6%
Total reported by Eurocontrol	1,837,226	1,790,233	46,993	2.6%
Exempt not reported to Eurocontrol	21,249	40,856	(19,607)	-48.0%
Total	1,858,475	1,831,089	27,386	1.5%

Traffic en-route (service units)	2017	2016	Variations	
			no.	%
Domestic	1,642,819	1,597,509	45,310	2.8%
International	3,581,084	3,478,877	102,207	2.9%
Overflight	3,257,728	3,076,031	181,697	5.9%
Paying total	8,481,631	8,152,417	329,214	4.0%
Military	136,436	134,954	1,482	1.1%
Other exempt	13,749	12,299	1,450	11.8%
Total exempt	150,185	147,253	2,932	2.0%
Total reported by Eurocontrol	8,631,816	8,299,670	332,146	4.0%
Exempt not reported to Eurocontrol	2,855	3,331	(476)	-14.3%
Total	8,634,671	8,303,001	331,670	4.0%

In particular, en-route traffic was marked by:

- **international commercial traffic**, a category of flights with departure or arrival for a stopover located in Italian territory, which recorded a positive result in 2017, both in terms of service units +2.9%, and in the number of assisted flights up 3.6%. The slight fall in service units compared with the number of assisted flights is mainly due to the decrease in the average distance travelled, a decisive variable together with the average weight at take-off for calculating the service units. The development of international traffic, both at SU level and the number of flights, was facilitated by a significant increase in flights in both the low mileage band (<350 Km in domestic airspace) with an increase in both SUs (+4.0%) and flights (+4.4%) and in the high mileage band (>700 Km in domestic airspace), which resulted in significant growth rates for both SUs (+7.6%) and flights (+9.4%).

As regards flights within Europe, we note the good performance of the connections between Italy and the rest of Europe (up +2.3% in SUs; up +3.0% in flights). The latter comprise the main part of the SUs for international traffic, representing around 80% of total SUs, and 86% of total assisted flights. The performance of connections between Italy and Africa was also positive (+14.2% SUs; +11.0% flights), mainly related to the recovery in traffic to Egypt, and connections between Italy and America/Japan (+5.8% SUs; +3.8% flights). The figure for SUs (+0.7%) for connections between Italy and Asia did not change, in spite of the increase in assisted flights (+8.2%);

- **commercial overflight traffic**, a category of movements only over domestic airspace, which, in 2017, recorded an increase in both service units (+5.9%) and in the number of assisted flights (+3.6%), thanks to the significant recovery seen from April onwards. In the year the average distance for each individual flight was up (+2.7%) as a result of the significant development of longer mileage flights (>800 Km over domestic airspace) which generated an increase in SUs of +14.9% and in the number of assisted flights by +19.2% thanks to the performance of intra-European connections and Europe-Africa connections. With regard to the general analysis of departure/destination areas, note the good performance of connections between European countries (+8.3% SUs; +4.0% no. of flights) which represent approximately 69% of total overflight traffic. The figures for connections between Europe and Africa (+7.4% SUs; +5.7% no. of flights), especially in the second half of 2017, and connections between Europe and Asia (+1.3% SUs; +2.5% no. of flights) were also positive.
- **domestic commercial traffic** which recorded an increase of 2.8% in service units in 2017 in spite of a modest 0.7% reduction in the number of assisted flights. These figures demonstrate a recovery for this type of traffic, after several years of dealing with competition from high-speed trains. The increase in long distance flights (>700 Km in domestic airspace) which connect the north with the south of the country contributed to the increase in SUs in 2017 and there was an increase of 4.4% in the year in service units and 3.7% in the number of assisted flights. The decrease in the number of assisted flights on the other hand is linked to the trend of low mileage flights (< 350 Km in domestic airspace) movements which fell by 7.9%.
- **exempt traffic** breaks down into i) *exempt traffic reported by Eurocontrol* which recorded an increase of 2.0% in service units albeit compared with a 5.6% fall in the number of assisted flights, the latter figure being mainly caused by a reduction in the military flights of member states, government flights, circular flights and police flights; ii) *exempt traffic not reported to Eurocontrol*, with a slight effect on revenues, which decreased by 14.3% for service units and 48% in the number of assisted flights.

With regard to the traffic figures for airline companies operating in domestic airspace, the importance of the low-cost segment was confirmed in 2017 as the main factor for the expansion of domestic air traffic, something which can also be observed in Europe, according to the sector technical publications. Among the largest companies operating in domestic airspace, note the results achieved by Ryanair (+9.8% SUs) and

Easyjet (+6.8% SUs), which are the first and the third largest carriers, respectively, in terms of number of service units produced. The results of Wizz Air (+21.4% SUs), Aegean Airlines (+42.1% SUs), Volotea (+10.5% SUs) and Eurowings (+43.7% SUs) are significant; only Vueling (-11.8% SUs) goes against this trend. All of the above-mentioned companies are in the top fifteen in terms of the number of service units produced. The operations of Middle Eastern companies like Turkish Airlines (-2.8% SUs) and Emirates (-6.7% SUs) decreased highlighting a fall in air traffic on routes to and from the south east of the Mediterranean. The operations of traditional companies like Lufthansa (+2.9% SUs) and Air France (+4.7%) recovered, particularly in the second part of the year, while those of Alitalia stayed negative (-4.3% SUs). Lastly, a strong increase in cargo traffic was recorded in 2017, especially involving domestic routes which recorded a rise in service units of 35.2%.

Terminal traffic

Terminal traffic, which regards take-off and landing within 20 km of the runway, reported by Eurocontrol recorded a positive trend in 2017 in terms of service units, which were up +3.1%, as well as in terms of assisted flights, which were up +2.1%.

Terminal traffic (Number of flights)		2017	2016	Variations	
				no.	%
Domestic					
	Chg.Zone 1	50,157	54,195	(4,038)	-7.5%
	Chg.Zone 2	58,244	56,793	1,451	2.6%
	Chg.Zone 3	169,755	165,796	3,959	2.4%
	Total domestic flights	278,156	276,784	1,372	0.5%
International					
	Chg.Zone 1	98,417	102,650	(4,233)	-4.1%
	Chg.Zone 2	177,951	169,588	8,363	4.9%
	Chg.Zone 3	184,928	172,833	12,095	7.0%
	Total international flights	461,296	445,071	16,225	3.6%
Paying total					
		739,452	721,855	17,597	2.4%
Exempt					
	Chg.Zone 1	129	103	26	25.2%
	Chg.Zone 2	896	1,217	(321)	-26.4%
	Chg.Zone 3	20,237	22,216	(1,979)	-8.9%
	Total free flights	21,262	23,536	(2,274)	-9.7%
Total reported by Eurocontrol					
		760,714	745,391	15,323	2.1%
Exempt not reported to Eurocontrol					
	Chg.Zone 1	2	2	0	0.0%
	Chg.Zone 2	472	806	(334)	-41.4%
	Chg.Zone 3	10,616	26,745	(16,129)	-60.3%
	Tot. exempt flights not reported to Eurocontrol	11,090	27,553	(16,463)	-59.8%
Total for chg Zone					
	Chg.Zone 1	148,705	156,950	(8,245)	-5.3%
	Chg.Zone 2	237,563	228,404	9,159	4.0%
	Chg.Zone 3	385,536	387,590	(2,054)	-0.5%
Total					
		771,804	772,944	(1,140)	-0.1%

Terminal traffic (service units)		2017	2016	Variations	
				no.	%
Domestic					
	Chg.Zone 1	61,338	65,657	(4,319)	-6.6%
	Chg.Zone 2	67,404	64,771	2,633	4.1%
	Chg.Zone 3	188,520	181,474	7,046	3.9%
	Total domestic SUs	317,262	311,902	5,360	1.7%
International					
	Chg.Zone 1	156,146	159,797	(3,651)	-2.3%
	Chg.Zone 2	245,966	235,331	10,635	4.5%
	Chg.Zone 3	206,783	191,110	15,673	8.2%
	Total international SUs	608,895	586,238	22,657	3.9%
Paying total		926,157	898,140	28,017	3.1%
Exempt					
	Chg.Zone 1	347	242	105	43.4%
	Chg.Zone 2	435	546	(111)	-20.3%
	Chg.Zone 3	7,998	8,048	(50)	-0.6%
	Total SUs exempt	8,780	8,836	(56)	-0.6%
Total reported by Eurocontrol		934,937	906,976	27,961	3.1%
Exempt not reported to Eurocontrol					
	Chg.Zone 1	0	0	0	0.0%
	Chg.Zone 2	41	68	(27)	-39.7%
	Chg.Zone 3	883	1,886	(1,003)	-53.2%
Total exempt SUs not reported to Eurocontrol		924	1,954	(1,030)	-52.7%
Total for chg Zone					
	Chg.Zone 1	217,831	225,696	(7,865)	-3.5%
	Chg.Zone 2	313,846	300,716	13,130	4.4%
	Chg.Zone 3	404,184	382,518	21,666	5.7%
Total		935,861	908,930	26,931	3.0%

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

- **Charging Zone 1**, which refers exclusively to Rome Fiumicino, stood at -3.5% in terms of service units and -5.3% for assisted flights, suffered specifically from the Alitalia situation, recording a reduction in activities in 2017 of 3.8% in service units and 6.6% in assisted flights. It should be noted that the impact of Alitalia in 2017 was around 42% of total service units at the Rome airport;
- **Charging Zone 2**, which refers to Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio, shows an increase both in SUs (+4.4%) and assisted flights (+4.0%) mainly due to the good results achieved by the airports of Milano Malpensa (+6.5% SUs; +7.0% no. of flights) and Bergamo Orio al Serio (+7.4% SUs; +7.7% no. of flights). The impact associated with the situation of the Italian national carrier is lower in this zone, since it represents only 12.7% of the SUs. Note, however, that in 2017 Alitalia recorded a fall of -5.2% in SUs in this charging zone;
- **Charging Zone 3** is up in terms of SUs (+5.7%) compared with the reduction in the number of assisted flights (-0.5%). This latter result depends on the reduction recorded by the item "Exempt flights not reported to Eurocontrol" (-60.3%), which, in any event, produce a marginal number of SUs. Therefore,

removing the effect of the reduction of exempt flights, the figure for flights in the third charging zone would have been +3.9%, in line with the result recorded by service units. With regard to Alitalia note that for this charging zone too, there was a fall in SUs of -3.8% and in the number of flights of -7.2% compared with 2016. As with charging zone 2, the impact is, in any case, limited considering that Alitalia's share compared with all the SUs in zone 3 is about 15%. In this charging zone, note the good performance of Naples airport (+20.8% SUs), Catania Fontanarossa (+12.3% SUs), Cagliari (+10.2% SUs), Palermo (+5.7% SUs) and Bari (+4.3%).

Regarding the various traffic types, as already demonstrated for the en-route traffic, *international traffic* is the main component, with an increase of +3.9% in SUs and +3.6% in the number of assisted flights. This increase is specifically attributable to the results achieved by the airports in charging zones 2 and 3. The *domestic traffic* item highlights a lower increase in service units of 1.7% and a rise in assisted flights of 0.5%. This traffic item was affected by the negative performance of air traffic on the first charging zone.

Safety and capacity indicators

Safety

The European Commission used EU Regulation No. 390/2013 to incorporate Safety Performance in the Essential Performance Areas in which, in the second reference period of the Performance Plan (2015-2019), the binding objectives must be achieved and Implementing Decision No. 132 of 2014 of the European Commission defined the Safety Targets which at the Functional Airspace Block (FAB) level are required from the FAB in aggregate form, but also individually from the countries and related air navigation service suppliers. The contribution to achieving the Safety objectives defined by Italy and by FAB were deemed by the European Commission, through Decision No. 347 of 2015, to be consistent with the objectives set out in the Safety performance area.

In order to achieve the objectives it is responsible for, Enav adopted a 2015-2017 Safety Plan, which is a Safety management improvement plan and constitutes a guide for all Safety activities. The Safety Plan contains five macro objectives implemented in the form of actions whose traceability is the input element through which, under the scope of the Performance Scheme, ENAC and the European Commission evaluate corporate performance.

The main actions supporting the achievement of the Safety Plan refer to: i) the adaptation of the substance and skills of the resources involved in the activities set out in the Safety Management System; ii) the optimisation of the activities and processes necessary for achieving the Safety Assurance and Safety Promotion objectives and the consolidation of a formal, direct and proactive approach for the systematic management of Safety in the provision of services and the activities to support them (updating of the

Safety Management System procedures); iii) greater involvement and awareness of the responsibility of top management and all operating personnel involved in the provision of air traffic services and/or personnel involved in support activities or communication, navigation or surveillance services, in relation to the Safety objectives (Safety Moments); iv) the formalisation of a Business Continuity Plan for critical infrastructure and strategic plants; v) the identification of specific training requirements for the optimum management of abnormal situations (including contingency/emergency situations) during the provision of air traffic services.

The actions identified in the Safety Plan were managed and completed, specifically: 56 actions (93%) were completed (52 closed during the plan and 4 actions which will be concluded after the plan) and 4 actions (7%) which will be addressed in the 2018-2022 Safety Plan.

With regard to the three essential Safety performance indicators established by European regulations for the second period 2015 - 2019 and stated within the FAB Blue Med, in accordance with the monitoring process of the performance plans, the Performance Review Body (PRB) - the body appointed by the European Commission for checking and controlling compliance with performance plans and the achievement of the expected targets - in cooperation with the European Aviation Safety Agency (EASA) and with the National Supervision Authorities (ENAC in Italy), confirmed that for the first two years of the plan the contributions in the area of Safety were made and the achievement of the Safety Targets by Enav.

For 2017, in accordance with the time frames set for monitoring the area of Safety Performance, the Parent Company supplied the information flows pertaining to ENAC, and is awaiting the completion of the subsequent controlling and validation process that the European Commission will complete in the second half of 2018 through the PRB. With regard to the Safety Targets applied to Enav, the validated data currently available refers to Safety Performance in 2016 and was: i) in line with or higher than the target for the most important Safety Target namely **Effectiveness of Safety Management (EoSM)** or the measurement of the effectiveness of the Safety Management System; ii) for the target which refers to the **application level of the Risk Analysis Tool (RAT)** for the classification of risk relating to *Separation Minimum Infringement (SMI)*, *Runway Incursion (RIN)* and *Atm Specific Occurrence (ASP)*, note that the 2015 and 2016 targets were reached, with an increase in the capacity to investigate problems compared to the past and this performance should be confirmed for 2017 as well:

Types of Safety events	Target 2017	Preliminary results 2017	Results 2016	Results 2015
SMI analysis for ATM contribution	80%	90%	100%	85%
RIN analysis for ATM contribution	80%	95%	100%	100%
ASP analysis	80%	95%	100%	93%

iii) level of presence/absence of Just Culture principles in Enav measured through the percentage of positive replies to the questions included in a specific questionnaire, produced by EASA for the European Commission, which requires at least 50% of positive responses, was achieved in full because the level reached stood at 87.5%.

Capacity

Enav pays close attention to the quality of service provided, which is measured in the sector through the level of punctuality of flights guaranteed to airline companies.

In 2017 too, as in recent years, the Company achieved excellent results. Specifically, the en-route delays for assisted flights was 0.009 minutes, a figure well below the target set by the European Commission for 2017 (0.11 minutes/flight). In 2017, out of the 1.66 million IFR/GAT assisted flights during en-route flights ATFCM delays accounted for only 14,285 minutes.

This positive performance has also to be evaluated considering the increase in volumes of assisted air traffic during the period from April to October (on average +3.7% with a peak of +5.2% in October) which usually cause increases in the ATFM delays issued.

This quality performance also implies an economic value, in terms of savings, for airline companies which fly in domestic airspace. Industry research indicates that the average cost incurred by carriers for every minute of ATFM delay is €100. The table below highlights the savings for airline companies, in terms of lower costs incurred, as a result of Enav achieving better performance results than the target sets by the European regulator.

Capacity En-route - targets vs. Actual Performance 2017		
IFR/GAT Flights	En-route Service Unit	En-route ATFCM Delay Cost/Min
1,656,594	8,631,816	100.00
	<i>Performance plan target</i>	<i>Target reached</i>
En-route ATFCM Delay per Flight	0.11	0.009
En-route ATFCM Minutes of Delay (Min)	182,225	14,258
En-route ATFCM Delay Cost (Euro)	18,222,534	1,425,800

With reference to the value of the delay assigned to arriving flights (airport capacity), measured for the five airports in the Performance Plan (Roma Fiumicino, Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio), Enav's performance in 2017 included better results than the targets set in the Performance Plan, as illustrated in the table below:

Terminal capacity - targets vs. Actual Performance in 2017		
	Performance plan target	Target reached
Terminal Arrival ATFM	not more than 0.41 (minutes for assisted flight)	0.20
Terminal Arrival ATFM due to ATM	not greater than 0.02 (minutes for assisted flight)	0.01

Enav Group economic and financial results

Definition of alternative performance indicators

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

The following alternative performance indicators are used:

- **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization):** an indicator of profit before the effects of financial management and taxation, as well as depreciation, amortisation and write-downs of tangible and intangible fixed assets and receivables and provisions, as reported in the financial statements and adjusted for investment subsidies directly related to the investments in depreciation and amortisation to which they refer;
- **EBITDA margin:** is EBITDA expressed as a percentage of total revenues and adjusted for investment subsidies as specified above;
- **EBIT (Earnings Before Interest and Taxes):** is EBITDA less depreciation and amortisation adjusted for investment subsidies and write-downs of tangible and intangible fixed assets and receivables and provisions;
- **EBIT margin:** is EBIT expressed as a percentage of total revenues less investment subsidies as specified above;
- **Net fixed capital:** is a capital parameter which is equal to the net fixed capital employed in business operations and includes items relating to tangible assets, intangible assets, investment in other companies, non-current trade receivables and payables, and other non-current assets and liabilities;
- **Net working capital:** is the capital employed in business operations which includes the line items inventory, trade receivables, and other non-financial current assets, net of trade payables and other current liabilities excluding those of a financial nature, plus assets held for disposal net of related liabilities;
- **Gross net fixed capital:** is the sum of Net fixed capital and Net working capital;
- **Net invested capital:** is the sum of the Gross net fixed capital, less the employee severance indemnity and other benefits, the provision for risks and charges and the deferred tax assets net of deferred tax liabilities;

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

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

Reclassified consolidated income statement

	2017	2016	Variations	
			Values	%
Revenues from operations	863,161	806,410	56,751	7.0%
Balance	(17,223)	16,428	(33,651)	-204.8%
Other operating income	35,886	42,433	(6,547)	-15.4%
Total revenues	881,824	865,271	16,553	1.9%
Personnel costs	(478,422)	(478,134)	(288)	0.1%
Capitalisation of internal work	29,133	29,273	(140)	-0.5%
Other operating expenses	(148,940)	(161,531)	12,591	-7.8%
Total operating costs	(598,229)	(610,392)	12,163	-2.0%
EBITDA	283,595	254,879	28,716	11.3%
EBITDA margin	32.2%	29.5%	2.7%	9.2%
Net amortisation of investment contributions	(130,330)	(132,769)	2,439	-1.8%
Write-downs, losses (write-backs) of value and provisions	(6,583)	(5,226)	(1,357)	26.0%
EBIT	146,682	116,884	29,798	25.5%
EBIT margin	16.6%	13.5%	3.1%	23.1%
Financial income/(expenses)	(2,929)	(2,180)	(749)	34.4%
Pre-tax income	143,753	114,704	29,049	25.3%
Income taxes	(42,255)	(38,359)	(3,896)	10.2%
Profit (loss) for the year	101,498	76,345	25,153	32.9%

Value in thousands of Euro

Revenues from operations stood at €863.2 million, up 7% compared with the previous year, comprising €848.8 million in revenue from the Parent Company's core business and €14.4 million from business conducted by the Group in the non-regulated market.

Revenues from core business recorded a total increase of 7.2% compared with the previous year, and refer to en-route revenues of €615.3 million, a 5.5% increase in the increased service units in the year equal to +4%, in the presence of an essentially unchanged charge compared with 2016, equal to €80.00 (€80.08 in 2016), and terminal revenues of €219.6 million, up 12.4% compared with 2016, following a differing trend

of the service unit at individual airports classified by different charging zones, which overall stood at +3.1%, with a negative performance for the first charging zone and a positive performance for the other two zones.

Specifically, the first charging zone, which refers to Rome Fiumicino Airport, recorded lower traffic managed, expressed in service units, of -3.5% compared with 2016, because it suffered greatly from the difficulties of Alitalia. Added to this effect is the 6.03% rate reduction in 2017 which resulted in a charge of €188.57 compared with €200.68 in 2016. The second charging zone, which refers to the airports Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio, recorded a good performance for managed air traffic which increased, in terms of service units, by 4.4% compared with 2016, a performance which partly offset the lower revenue deriving from the 10.02% charge reduction in 2017, with a charge of €209.95 compared with €233.33 in 2016. The third charging zone, which includes 40 medium and low traffic airports, recorded an increase in managed air traffic, expressed in service units, of +6.1% compared with the previous year, and benefits from both revenue from the airports of Comiso and Rimini, which came under the management of the Parent Company with effect, respectively from September and November 2016, and the 24.08% charge increase applied in 2017 through a charge of €323.79 compared with 2016 when there was a contribution from the Ministry of Economy and Finance (MEF) of €26 million which allowed a lower charge of €260.96 to be applied.

Revenues from core business also include revenues for en-route and terminal exempt flights, where the consideration, by law, is the responsibility of the Ministry of Economy and Finance, and these stood at €13.9 million, up 5.5% compared with the previous year.

Revenues from non-regulated market stood at €14.4 million, basically in line with the figure for the previous year, but up 5.6% if you exclude the €1 million present in 2016 from the acknowledgement and settlement agreement signed by the subsidiary Techno Sky with Leonardo SpA after the arbitration proceedings which were concluded in May 2016. This increase would have been even higher (+32%) if the 2016 figures had also excluded the revenues from Air Traffic Services managed with charge during 2017. Revenue from non-regulated market changed according to the type of service provided in the year with an increase in revenue for services provided abroad including: i) in the United Arab Emirates, for the restructuring of the airspace which generated revenue of €3.4 million; ii) in Malaysia for the Kuala Lumpur Air Traffic Control Center with revenues of €2.6 million; iii) in Libya, both for the construction of the control tower and the technical area of the Mitiga airport and for the training of 60 Libyan air traffic controllers, with total revenue of €1.3 million; iv) in Saudi Arabia for flight inspection services with revenues of €1.8 million; v) in Morocco, for the instrument flight procedures research and the restructuring of the air space, with revenue of €0.7 million. These activities allowed to offset the reduction in revenue for *Air Traffic Services* provided by the Parent Company through direct contracts by €2.7 million including those which refer to the airport of Comiso, charged from September 2016 and previously managed under a direct

agreement and for tower services for the airport of Crotone following the end of the temporary exercising at the end of October 2016 and as a result of the closure of the airport.

The **balance** had a negative impact on the revenues of €17.2 million, an overall reduction of €33.6 million compared with the previous year, and is represented by the balances recorded in 2017 of a total of €6.9 million, reduced by the effect of discounting, and the allocation to the charge and therefore to the income statement of the balances of €24 million recorded in previous years. Specifically, note that the balances recorded in the year refer for €15.5 million to en-route and a negative €8.6 million to terminal. The change in the actual figure is mainly due to the terminal balance for the third charging zone reimbursing €5.2 million compared with 2016 in which there was a positive balance of €20.8 million having applied a lower charge than the natural one while awaiting the contribution from the MEF.

Other **operating revenues** stood at €35.8 million, down 15.4% compared with 2016, mainly due to the fewer European projects financed during the year compared with the previous year which benefited from the reported contribution related to the 2014 Connecting European Facility.

Operating costs totalled €598.2 million, recording a net decrease of 2% compared with the previous year and consist of personnel costs of €478.4 million, other operating expenses of €148.9 million and capitalisation of internal work costs which generated a positive effect of €29.2 million. Specifically, **personnel costs** recorded a net increase of 0.1% with different trends for the various cost items, including a reduction in the fixed portion of remuneration due to the reduction, compared with 2016, of the Group headcount corresponding to 46 average units and 52 effective units, with a headcount at the end of 2017 of 4,181 units (4,233 units in 2016). This reduction offset the increased costs related to both the natural increase in remuneration and the possible effects resulting from the renewal of the contract that expired at the end of 2016. Variable remuneration increased by 6.5% mainly related to the overtime connected to the training of Air Traffic Controllers for the implementation of the *free route* platform project which involved the Parent Company's operating staff starting from the last months of 2016, for the variable result premium which in 2017 also contained the portion relating to the 2017-2019 performance share. Social security contributions were also reduced by 0.8% following the reaching of the pension contribution ceiling, while other personnel costs fell by 19.8% mainly because of the lower incentives paid to employees leaving in 2017.

Other operating expenses recorded a net decrease of 7.8% compared with 2016 following both the absence of costs relating to the privatisation process which in the previous year accounted for €7.5 million and a widespread reduction in various cost items including lower costs for purchasing the spare parts and materials needed for the airport site restructuring and modernisation activities, the reduction in insurance costs which benefited from the saving associated with the new contracts agreed which took effect from 1 July 2016, lower cleaning costs in Italy following savings related to new contracts agreed, lower Eurocontrol

contribution costs, lower costs for professional services which in 2016 included some of the costs associated with the privatisation process.

These amounts had a positive effect in the calculation of the EBITDA, generating an increase of 11.3% compared with 2016 and reaching €283.6 million with an EBITDA margin up 32.2% (29.5% in 2016).

EBIT was €146.7 million, up €29.8 million compared with the previous year when it stood at €116.9 million. Amortisation and depreciation affected this result by €130.3 million, a fall of €2.4 million compared with 2016, offset by the effect of the write-down of receivables in 2017 in order to take into account the situation of Alitalia which went into extraordinary administration through the decree of 2 May 2017. The EBIT margin at the end of 2017 was 16.6%, an improvement compared with the previous year when it stood at 13.5%.

Financial income and expenses was negative by €2.9 million, an increase compared with the previous year of €0.7 million through the lower financial income associated with interest on VAT credit to be repaid, collected in full, and the lower default interest income accrued during the year. Financial expenses fell by €0.2 thousand through lower interest costs on employee benefits and lower financial expenses for the subsidiary Techno Sky following the conclusion of the arbitration proceedings at the end of the 2016 half-year where interest at the legal rate was applied to the credit and debit entries frozen in the arbitration award.

Income taxes were €42.2 million, up by €3.9 million compared with the previous year following the higher tax base, although the result for 2017 benefits from the lower current taxes following the reduction of the IRES rate from 27.5% to 24%. The effective tax rate for the year was 30% compared with 31.1% in 2016.

Due to the above, the **profit for the year** came in at €101.5 million, up 32.9% compared with 2016 when it was €76.3 million, pertaining entirely to the Group.

Reclassified consolidated statement of financial position

	31.12.2017	31.12.2016	Variations
Tangible assets	1,027,516	1,056,281	(28,765)
Intangible assets	124,414	123,084	1,330
Investments in other companies	51,217	36,468	14,749
Non-current trade receivables and payables	64,526	136,770	(72,244)
Other non-current assets and liabilities	(68,394)	(73,036)	4,642
Net fixed capital	1,199,279	1,279,567	(80,288)
Inventories	60,986	60,895	91
Trade receivables	285,810	226,651	59,159
Trade payables	(130,854)	(132,512)	1,658
Other current assets and liabilities	(134,635)	(166,459)	31,824
Assets held for disposal net of related liabilities	695	13	682
Net working capital	82,002	(11,412)	93,414
Gross net fixed capital	1,281,281	1,268,155	13,126
Employee severance indemnity and other benefits	(55,636)	(57,388)	1,752
Provisions for risks and charges	(9,479)	(11,029)	1,550
Deferred tax assets net of liabilities	21,281	20,209	1,072
Net invested capital	1,237,447	1,219,947	17,500
Shareholders' equity	1,119,965	1,119,826	139
Net Financial Indebtedness	117,482	100,121	17,361
Total coverage sources	1,237,447	1,219,947	17,500

Value in thousands of Euro

Net invested capital was €1,237.4 million, up by €17.5 million compared with 31 December 2016 resulting from changes in the following items.

Net fixed capital of €1,199.3 million decreased by €80.3 million compared with 31 December 2016, because of: i) the decrease in tangible assets of €28.8 million, following the depreciation higher than the investments made during the year; ii) an increase of €14.7 million in the item equity investments resulting from the payment of third and fourth instalments of the purchase price for the shares of Aireon LLC, for an overall investment of USD 61.2 million and a stake of 10.07% held as at 31 December 2017; iii) a net reduction in non-current trade receivables and payables, which refer exclusively to the balances of €72.2 million, being the net effect of the recognition of the balances for the 2017 period of €6.9 million, the cancellation of €26 million of terminal balances of the third charging zone recorded in previous years and recognised by the Ministry of Economy and Finance through Article 51 of Legislative Decree 50/2017, reducing the payable recognised for the same period of 2014 and the reclassification of current balance trade receivables and trade payables which will be included in the 2018 charge.

Net working capital was €82 million, up by €93.4 million compared with 31 December 2016. The main changes refer to: i) the €59.2 million increase in trade receivables which refers €21.1 million to Eurocontrol

following increased turnover in the last two months of 2017 compared with the same period of 2016 and to the failure to collect two months of receipts from Alitalia; the balance receivables of €41.4 million mainly attributable to the current portion of balances which will be included in the 2018 charge. These increases were reduced by €6.8 million following the prudential write-down of receivables made in the year and which refer to Alitalia, bankrupt air carriers and a management company; ii) the net decrease in trade payables of €1.6 million which refers to greater payments to suppliers and an increase in payables for balances following the reclassification in the current portion of balances which will be included in the 2018 charge; iii) the change in other current assets and liabilities creating a net effect of lower debt of €31.8 million which created a reduction in tax receivables of €13.9 million following the collection of the 2016 VAT receivable and the reduction of the IRAP receivable following the offsetting with the tax for the year; the cancellation of the payable to the MEF which, as at 31 December 2016, stood at €38.2 million following both the cancellation of €26 million as a result of the effects associated with Decree Law No. 50 of 24 April 2017 and the payment of the remaining portion increased by the share for 2016 making a total of €64.9 million.

When calculating **net invested capital** the employee severance indemnity and other benefits, negative by €55.6 million also had an impact, recording a positive change in the period of €1.7 million both in payments and advances made in the year and the actuarial gain recorded at 31 December 2017, as well as provisions for risks and charges of €9.5 million and deferred tax assets net of liabilities for a positive net amount of €21.3 million.

Shareholders' equity stood at €1,119.9 million, a slight increase compared with 31 December 2016 mainly following the profit recorded in 2017 of €101.5 million, up €25.1 million compared with 2016, and the falls in shareholders' equity following the payment of the €95.3 million dividend and the negative effect of the translation reserve of the financial statements in foreign currency which had a negative impact of €5.7 million.

The **reconciliation statement** between the result and the shareholders' equity of the Parent Company and the analogous values for the Group at 31 December 2017 compared with 31 December 2016 is illustrated in the consolidated financial statements at 31 December 2017 in the comments to note no. 18.

Net financial indebtedness amounted to €117.5 million, an increase of €17.4 million compared with 31 December 2016, as shown in the following table:

	31.12.2017	31.12.2016	Variations
Cash and cash equivalents	263,325	231,007	32,318
Current financial receivables	325	1,221	(896)
Current financial indebtedness	(30,462)	(32,622)	2,160
Net current financial position	233,188	199,606	33,582
Non-current financial debt	0	(104)	104
Non-current financial indebtedness	(350,670)	(299,623)	(51,047)
Non-current financial indebtedness	(350,670)	(299,727)	(50,943)
Net financial indebtedness	(117,482)	(100,121)	(17,361)

Value in thousands of Euro

At 31 December 2017 the negative change in net financial indebtedness of €17.4 million reflected both the effect of the positive cash flow generated by collections and payments associated with ordinary operations, due mainly to the following events: i) the payment of the dividend of €95.3 million which took place in May; ii) the payment of the payable to the Ministry of Economy and Finance of €64.9 million; iii) the payment of the third and fourth instalments of the purchase price of the equity investment in Aireon of USD 22.9 million; iv) the payment to the Italian Air Force (Aeronautica Militare Italiana) of the share of terminal collections pertaining to it for €15 million; v) the payment of the balance and payments on account of IRES of €35.2 million. Non-current net financial indebtedness rose by €51 million as the net effect of taking an €80 million loan from the EIB and the repayment of two half-year instalments on medium-term loans of €31.3 million.

Consolidated Statement of Cash Flows

	31.12.2017	31.12.2016	Variations
Cash flow generated/(absorbed) from operating activities	193,638	225,206	(31,568)
Cash flow generated/(absorbed) from investing activities	(115,016)	(89,446)	(25,570)
Cash flow generated/(absorbed) from financing activities	(46,094)	(77,644)	31,550
Cash flow for the year	32,528	58,116	(25,588)
Cash and cash equivalents at the beginning of the year (*)	231,811	174,141	57,670
Exchange rate difference on cash	(64)	(446)	382
Cash and cash equivalents at end of the year (*)	264,275	231,811	32,464
Free cash flow	78,622	135,760	(57,138)

Value in thousands of Euro

(*) Cash and cash equivalents at the beginning of the year includes 804 thousands of euro related to the liquidity of the Sicta Consortium in liquidation and cash and cash equivalents at the end of the year equal to 950 thousands of euro.

The **Cash flow from operating activities** generated at 31 December 2017 stood at €193.6 million, down €31.6 million compared with the previous year, because of: i) greater Eurocontrol receivables both through the increased turnover in the last two months of the year, and therefore not due, and the failure to collect

the receivables from Eurocontrol for services relating to Alitalia of €17.9 million; ii) lower VAT receivables collections of €13.6 million compared with €61.5 million at 31 December 2016; iii) the increase in the balance debt following the increase in the year of negative balances totalling €23.5 million compared with €17 million in 2016; iv) lower balance receivables recorded in 2017 of €18.6 million; v) a reduction in other current liabilities following the payment to the MEF of €64.9 million, part of which referred to 2014; vi) the smaller change linked to the risk provision which was used in 2016 following the conclusion of the dispute relating to the subsidiary Techno Sky to the tune of €5.2 million, effects partly offset by the better result for the year of €25.1 million.

The **Cash flow from investing activities** at 31 December 2017 stood at negative €115 million, an increase of €25.6 million compared with the figure recorded at 31 December 2016 which, albeit in the presence of a capex value of €115.4 million, essentially in line with the previous year, revealed higher payments to suppliers related to investment projects of €8.7 million. The greater cash flow absorbed by investing activities was also affected by the payment of the third and fourth instalments of the purchase price of the equity investment in Aireon of €16.9 million, not present at 31 December 2016.

The **Cash flow from financing activities** absorbed total liquidity of €46.1 million with a positive change of €31.5 million compared with the previous year through taking an €80 million loan from the EIB which partly offset the absorption of liquidity for the payment of the dividend of €95.3 million, an increase of €48 million compared with 31 December 2016.

The **free cash flow** stood at €78.6 million thanks to the cash flow generated from operating activities in the year which made it possible to cover the cash flow absorbed from investing activities. In this regard, note that net of the investing activities in Aireon which absorbed cash of €16.9 million, the free cash flow would have stood at €95.5 million with a negative change of €40.2 million compared with the previous year, mainly on account of the failure to collect receivables due from Alitalia, the lower collection of VAT receivables and the higher payments made to suppliers for investment projects.

Enav economic and financial results

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

Reclassified income Statement

	2017	2016	Variations	
			Values	%
Revenues from operations	859,202	801,765	57,437	7.2%
Balance	(17,223)	16,428	(33,651)	-204.8%
Other operating income	36,381	42,139	(5,758)	-13.7%
Total revenues	878,360	860,332	18,028	2.1%
Personnel costs	(415,966)	(414,180)	(1,786)	0.4%
Capitalisationo of internal work	7,590	7,507	83	1.1%
Other operating expenses	(194,354)	(205,166)	10,812	-5.3%
Total operating costs	(602,730)	(611,839)	9,109	-1.5%
EBITDA	275,630	248,493	27,137	10.9%
EBITDA margin	31.4%	28.9%	2.5%	8.6%
Net amortisation of investment contributions	(132,582)	(134,573)	1,991	-1.5%
Write-downs, losses (write-backs) of value and provisions	(6,568)	(5,039)	(1,529)	30.3%
EBIT	136,480	108,881	27,599	25.3%
EBIT margin	15.5%	12.7%	2.9%	22.8%
Financial income/(expenses)	(2,715)	(1,659)	(1,056)	-63.7%
Pre-tax income	133,765	107,222	26,543	24.8%
Income taxes	(39,260)	(35,818)	(3,442)	9.6%
Profit (loss) for the year	94,505	71,404	23,101	32.4%

Value in thousands of Euro

Revenues from operations reached €859.2 million, up 7.2% compared with the previous year. This result is related to the increase in en-route revenues and terminal revenues and through the increased number of service units equal, respectively to +4% and +3.1% compared with 2016, and through the charges applied at the terminal because en-routes benefited from an essentially unchanged charge compared with 2016 of €80.00 (€80.08 in 2016).

With regard to terminal revenues note an increase in service units for the second and third charging zones and a decrease for the first charging zone, represented by Roma Fiumicino Airport, which recorded fewer service units down -3.5% compared with 2016 as it suffered more from the difficulties of Alitalia. Added to this effect is the 6.03% charge reduction implemented in 2017. The second charging zone, represented by the airports of Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio recorded a 4.4% increase in service units compared with 2016, a performance which partly offset the lower revenues following the lower charge, -10.02%, applied in 2017. The third charging zone, which includes 40 medium

and low traffic airports, recorded an increase in managed air traffic, expressed in service units, of +6.1% compared with the previous year, and benefits from both revenue from the airports of Comiso and Rimini, which came under the management of the Parent Company with effect, respectively from September and November 2016, and the 24.08% rate increase applied in 2017 through a rate of €323.79 compared with 2016 when there was a contribution from the Ministry of Economy and Finance (MEF) of €26 million which allowed a lower rate of €260.96 to be applied.

Revenues from non-regulated market stood at €10.4 million, a 4% increase over the previous year on account of the increased activities in foreign markets which made it possible to offset the lower revenues for Air Traffic Services through direct contracts which totalled €2.7 million in 2016, including those relating to Comiso Airport, charged from September 2016 and previously managed under a direct agreement, and for tower services at the airport of Crotona following the end of a temporary exercising at the end of October 2016 and as a result of the closure of the airport.

The **balance** had a negative impact on the revenues of €17.2 million, an overall reduction of €33.6 million compared with the previous year, and is represented by the balances recorded in 2017 of a total of €6.9 million reduced by the effect of discounting of the above-mentioned receivables and the allocation to the tariff and therefore to the income statement of the balances of €24 million recorded in previous years.

Operating costs totalled €602.7 million, a net decrease of 1.5% compared with the previous year and consist of personnel costs of €415.9 million, other operating expenses of €194.3 million and capitalisation of internal work costs which generated a positive effect of €7.6 million. Specifically, **personnel costs** recorded a net increase of 0.4%, related, in the main, to variable remuneration and lower fixed remuneration following the reduction of the headcount to 31 average units, and a substance at the end of 2017 of 3,364 units (3,395 units in 2016). **Other operating expenses** recorded a net decrease of 5.3% compared with 2016 following both the absence of costs relating to the privatisation process which in the previous year had an impact of €7.5 million and a widespread reduction in various cost items which offset the higher expenses incurred following the new status as a listed company and the support of new foreign contracts.

These amounts had a positive effect in the calculation of the **EBITDA**, generating an increase of 10.9% compared with 2016 and reaching €275.6 million with an EBITDA margin up 31.4% (28.9% in 2016).

EBIT was €136.5 million, up €27.6 million compared with the previous year when it stood at €108.9 million. The EBIT margin at the end of 2017 was 15.5%, an improvement compared with the previous year when it stood at 12.7%.

Financial income and expenses was negative by €2.7 million, an increase compared with the previous year of €1 million through the lower financial income associated with interest on VAT receivable to be repaid, collected in full, and the lower default interest income accrued during the year as well as the associated effect of exchange rate losses.

Income taxes were €39.3 million, up by 9.6% compared with 2016 following the higher tax base, although the result for 2017 benefits from the lower current taxes following the reduction of the IRES rate from 27.5% to 24%. The tax rate for the year was 29.9% compared with 31.8% in 2016.

As a result of the above, **profit for the year** came in at €94.5 million, a 32.4% increase compared with 2016 when it stood at €71.4 million.

Reclassified statement of financial position

	31.12.2017	31.12.2016	Variations
Tangible assets	1,047,735	1,076,263	(28,528)
Intangible assets	57,773	56,523	1,250
Investments	147,071	142,579	4,492
Non-current trade receivables and payables	64,526	136,770	(72,244)
Other non-current assets and liabilities	(83,089)	(88,720)	5,631
Net fixed capital	1,234,016	1,323,415	(89,399)
Inventories	60,968	60,872	96
Trade receivables	281,987	224,515	57,472
Trade payables	(124,984)	(125,705)	721
Other current assets and liabilities	(158,438)	(187,796)	29,358
Assets held for disposal net of related liabilities	705	705	0
Net working capital	60,238	(27,409)	87,647
Gross net fixed capital	1,294,254	1,296,006	(1,752)
Employee severance indemnity and other benefits	(37,703)	(38,561)	858
Provisions for risks and charges	(9,164)	(10,714)	1,550
Deferred tax assets net of liabilities	14,554	13,516	1,038
Net invested capital	1,261,941	1,260,247	1,694
Shareholders' equity	1,141,670	1,142,863	(1,193)
Net Financial Indebtedness	120,271	117,384	2,887
Total coverage sources	1,261,941	1,260,247	1,694

Value in thousands of Euro

Net invested capital was €1,261.9 million, up by €1.7 million compared with 31 December 2016 resulting from changes in the following items.

Net fixed capital of €1,234 million decreased by €89.4 million compared with 31 December 2016, due to: i) the decrease in tangible assets of €28.5 million, following the depreciation higher than the investments made during the period; ii) an increase of €4.5 million in the item investments resulting from the payment made to the subsidiary Enav North Atlantic for the purchase of the last share of the investment in Aireon LLC, with an overall investment of USD 61.2 million paid up and a stake of 10.07% held as at 31 December 2017; iii) a net reduction in non-current trade receivables and payables, which refer exclusively to the balances of €72.2 million, being the net effect of the recognition of the balances for the period of €6.9 million, the cancellation of €26 million of terminal balances of the third charging zone recorded in previous

years and recognised by the Ministry of Economy and Finance through Article 51 of Legislative Decree 50/2017, reducing the payable recognised for the same period of 2014 and the reclassification of current balance trade receivables and trade payables which will be included in the 2018 charge.

Net working capital was €60.2 million, up by €87.6 million compared with 31 December 2016. The main changes refer to: i) the increase of €57.5 million in trade receivables of which €21.1 million refers to Eurocontrol receivables, following the increased turnover recorded in the last two months of 2017 compared with the same period of 2016 and to the failure to collect two months of invoices from Alitalia; to the balance receivables of €41.4 million mainly due to the allocation to the current portion of the share of balances which will be included in charges in 2018; ii) the net decrease in trade payables of €0.7 million which refer to higher payments to suppliers and to the increase in balance payables through the reclassification in the current share of some of the balances which will be included in charges in 2018; iii) the change in other current assets and liabilities which created a net effect of lower payables to the tune of €29.3 million which were affected by an €11.5 million reduction in tax receivables through the collection of the 2016 VAT receivable and the reduction in IRAP receivable following the offsetting through the tax pertaining to the year; the cancellation of the payable to the MEF, which at 31 December 2016 was €38.2 million, following the cancellation of €26 million for the effects associated with Decree Law No. 50 of 24 April 2017 and the payment of the remaining part increased by the share pertaining to 2016 totalling €64.9 million.

When calculating the **net invested capital** the Employee severance indemnity and other benefits, negative by €37.7 million also has an impact as well as the provision for risks and charges (€9.2 million) and receivables for deferred tax assets net of liabilities for a positive net amount of €14.5 million.

Shareholders' equity stood at €1,141.7 million, a decrease of €1.2 million compared with 31 December 2016, through the payment of the divided of €95.3 million, the reduction of the cash flow hedge reserve of €0.8 million, effects partly offset by the higher profit for 2017 of €94.5 million, up €23.1 million compared with 2016.

Net financial indebtedness amounted to €120.3 million, an increase of €2.9 million compared with 31 December 2016, as shown in the following table:

	31.12.2017	31.12.2016	Variations
Cash and cash equivalents	257,550	213,744	43,806
Current financial receivables	325	1,221	(896)
Current financial indebtedness	(30,462)	(32,622)	2,160
Net current financial position	227,413	182,343	45,070
Non-current financial receivables	2,986	0	2,986
Non-current financial debt	0	(104)	104
Non-current financial indebtedness	(350,670)	(299,623)	(51,047)
Non-current financial indebtedness	(347,684)	(299,727)	(47,957)
Net financial indebtedness	(120,271)	(117,384)	(2,887)

Value in thousands of Euro

At 31 December 2017 the negative change in net financial indebtedness of €2.9 million reflected both the effect of the positive cash flow generated by collections and payments associated with ordinary operations, due mainly to the following events: i) the payment of the dividend of €95.3 million which took place in May; ii) the payment of the payable to the Ministry of Economy and Finance of €64.9 million; iii) the payment to the Italian Air Force (Aeronautica Militare Italiana) of the share of terminal collections pertaining to it for €15 million; iv) the payment of the balance and payments on account of IRES of €34.7 million. The effect of these disbursements was mitigated by the collections received in the year from the VAT receivable of €13.7 million and the pre-financing and interim payments relating to European funded projects. Non-current net financial indebtedness rose by €51 million as the net effect of taking an €80 million loan from the EIB and the repayment of two half-year instalments on medium-term loans of €31.3 million.

Statement of cash flows

	31.12.2017	31.12.2016	Variations
Cash flow generated/(absorbed) from operating activities	196,480	224,901	(28,729)
Cash flow generated/(absorbed) from investing activities	(102,617)	(89,256)	(13,361)
Cash flow generated/(absorbed) from financing activities	(50,058)	(78,473)	28,723
Cash flow for the year	43,805	57,172	(13,367)
Cash and cash equivalents at the beginning of the year	213,745	156,573	57,172
Cash and cash equivalents at the end of the year	257,550	213,745	43,805
Free cash flow	93,863	135,645	(42,090)

Value in thousands of Euro

The **Cash flow from operating activities** generated at 31 December 2017 stood at €196.5 million, down €28.4 million compared with the previous year, because of: i) greater Eurocontrol receivables both through the increased turnover in the last two months of the year, and therefore not due, and the failure to collect the receivables from Alitalia of €17.9 million; ii) lower VAT receivable collections of €13.6 million compared



with €61.5 million at 31 December 2016; iii) the increase in the balance debt following the increase in the year of negative balances totalling €23.5 million compared with €17 million in 2016; iv) lower receivables for balances recorded in 2017 of €18.6 million; v) a reduction in other current liabilities following the payment to the MEF of €64.9 million, part of which referred to 2014; effects partly offset by the better result for the year of €23.1 million.

The **Cash flow from investing activities** at 31 December 2017 stood at negative €102.6 million, an increase of €13.4 million compared with the figure recorded at 31 December 2016, which revealed higher payments to suppliers related to investment projects of €8.9 million. The greater cash flow absorbed from investing activities was also affected by the payment to the subsidiary Enav North Atlantic of the fourth instalment of the purchase price of the investment in Aireon of €4.5 million, not present at 31 December 2016.

The **Cash flow from financing activities** absorbed total liquidity of €50 million with a positive change of €28.4 million compared with the previous year through taking an €80 million loan from the EIB which partly offset the absorption of liquidity for the payment of the dividend of €95.3 million, an increase of €48 million compared with 31 December 2016 and the intercompany loan of €3.3 million provided to Enav North Atlantic.

The **free cash flow** stood at €93.9 million thanks to the cash flow generated from operating activities in the year which made it possible to cover the cash flow absorbed from investing activities.

Human Resources

At 31 December 2017 the Enav Group headcount was 4,181 employees, a fall of 52 employees compared with 2016, while the average headcount, which stands at 4,243 employees, fell by 46 employees. The Group provides flight assistance services and operating system maintenance throughout the national territory, and is developing aeronautical consulting and commercial activities in Malaysia.

The Group personnel costs stood at €478.4 million, essentially in line with the previous year.

Industrial relations

Social dialogue in 2017 was about issues such as "efficiency and the development of people", "solidarity" and "innovation".

With regard to the issue of *efficiency and the development of people*, note the important agreement of 14 April 2017 which, mobilising the significant new features introduced by the Jobs Act on the subject of workers' tasks, is aimed at guaranteeing the employability of Enav personnel reconciling organisational optimisation and professional requalification actions prior to suitable training courses. The initial application of this agreement already involved around 30 resources who are currently carrying out new activities.



The agreement of 23 November 2017 with regard to reflections on personnel resulting from the movement to the Roma Ciampino Area Control Center of the management of approaches in the Olbia airspace is in the same context. In this case too, the agreement made it possible to reconcile organisational efficiency with professional development, thanks to training. In effect, the adaptation of the Olbia airport staff, which will be based on new service levels and therefore excluding approaches, was the subject of a specific focus with the trade union, culminating in the initiation of a professional development course which will involve approximately 30% of the Olbia Airport controllers, who, after a thorough training period, will be able to specialise in control in the Area Control Center and carry out their duties at the Milan Area Control Center. *Solidarity* was the incentive that drove the industrial relations players, supported by the Equal Opportunities Committee, to conclude the agreement on the transfer of leave. Going beyond the legislative provisions, there was agreement to also allow the transfer of leave to colleagues in documented need to help, also, first degree relatives (not just minor children), spouses and extra-marital cohabitants. The response of Enav personnel was admirable from the first cases of the application of the agreement, with a solid offer of leave which went well beyond the needs expressed.

Lastly, on the front of dialogue in support of *innovation*, note the agreement aimed at guaranteeing excellent service through conditions that have proved to be suitable to support the growth of traffic resulting from the full entry into force of the Free Route.

With reference to the issue of pensions, Decree Law 148/2017, Article 12-bis introduced the possibility for employees of the Parent Company, registered as air traffic controllers, pilots and flight inspection operators, flight assistance experts and weather experts, who have lost their licence to practise and who were hired after 31 December 1995 or who have exercised the option to be registered with the INPS, to meet the pension requirements when they reach the age of 60, several years before the current regulations.

Training

The Academy provided a total of 55,171 training hours for 2,190 participants in 2017, which breaks down as follows: 5,223 hours of ab-initio training (21 participants), 1,850 hours of advanced training (17 participants), 10,881 hours of continuous training (423 participants), 28,488 hours of training for external customers (257 participants). 2,256 hours of e-learning training (808 students) and 6,473 hours of human performance training (664 participants).

If, on the one side there was a slight fall in internal training activities, on the other side 2017 saw a significant increase in training hours for the external market with the provision of 3 new courses for the ANSP of Libya and 3 ATM/Weather seminars for the Ragusa Besta Institute. A course on GNSS RNAV air navigation procedures was laid on in conjunction with the Airspace Design Function.

With regard to activities associated with the range of training services on offer, some of the most significant initiatives included 4 Weather/AFIS courses, a FISO course and 2 other new courses, an Apron management course for the Cagliari Airport management company and a rerun of the ENEA personnel refresher course.

2017 was an important year for the consolidation of the Human Factor in Enav both in the ATM context through European Regulation 340/2015, and in the context of Flight inspection services through Decisions 2015/022/R and 2015/023/R relating to Crew Resource Management (CRM) training. More specifically the three-year I-HPI Inside Human Performance Improvement programme was launched divided into a “Training the trainer” course aimed at 92 participants for a total of 2,142 training hours, a training initiative aimed at operating system heads (34 recipients for 136 training hours) and an area dissemination activity aimed at 481 OJTs for a total of 3,832 training hours.

The remaining hours involved a control course aimed at 4 Flight inspection resources and Human Factor refresher and professionalisation activities intended for Flight inspection personnel. Lastly, the activities were completed by a CISM refresher course aimed at 25 peers.

With regard to managerial and specialist training, in 2017 training initiatives were conducted totalling 11,751 hours involving 826 resources from the central staff functions and Air Navigation Services. The training involved both a change management project aimed at redefining the guide values and corporate management model in line with the new market logics and specialist training on the subjects of Project Management, trust services and the new code on public procurement. In addition, three types of linguistic training were initiated for a total of 1,690 hours and 89 students, involving 48 individual courses delivered through multimedia, 14 classroom-based courses for executives and 3 workshops aimed at improving communication techniques and negotiating skills in the language.

Organisational initiatives

The most significant organisational initiatives in 2017 involved:

- the improvement of the skills of the *Quality and Management Systems* function following the acquisition of responsibilities relating to workplace health and safety pursuant to Legislative Decree 81/08 and environmental protection pursuant to Legislative Decree 152/06, with the consequent renaming as *Quality, Management Systems and HSE*;
- the different organisation of the *Internal Audit* function in order to guarantee greater compliance with the responsibilities regarding the prevention of corruption and fraud at Group level;
- the establishment, under the scope of the Air Navigation Services, of the new Comiso Airport Centre;
- the reorganisation of the Security function to improve overseeing the security of infrastructure, personnel, information, systems and data networks;

- the reorganisation of the Purchasing function, with the consequent in service centralisation of the procurement of goods, services and works of Group companies;
- the reorganisation under the scope of the Administration, Finance and Control function of the supervision of financial management, with the introduction of a structure dedicated to extraordinary transactions and the establishment, under the scope of administrative activities, of a sector to support the Financial Reporting Officer with specific activities required by the Consolidated Finance Act (TUF);
- the reorganisation of several sectors under the scope of the Airspace Design function for better compliance with the development of the processes managed.

Workplace health and safety

With regard to workplace health and safety, 48 risk assessment documents were updated following the conferring of employer delegation of tasks, the assessment of the risk of exposure to electromagnetic fields, the updating of specific data for individual sites as well as the changed corporate organisation that led to the updating of 16 emergency plans.

With reference to environmental studies at places of work, physical agents in the workplace were monitored (noise, electromagnetic fields, microclimate and lighting) and the air quality at 4 sites and a third grade qualified expert appointed by Enav monitored ionising radiation due to:

- radar conventional x-ray equipment matrices;
- Radon gas;
- in flight cosmic radiation for flight inspection navigation personnel.

With regard to training, activities were carried out involving fire-fighting and first responder personnel and safety personnel representatives. In addition, general and specific training courses and refresher courses were delivered to employees through the E-Learning platform.

Drills were conducted for the management of emergencies and evacuations which, in the case of Airport Structures, involved the collaboration of the Fire Brigade, the Airport Medical Services and the airport Management Companies.

With regard to health monitoring, 2,186 inspections were conducted to check alcohol dependency and the taking of psychotropic drugs and narcotic substances by Air Traffic Control and Flight Information Service personnel in possession of unit endorsement in the process of validation, airline pilots and flight inspection operators, as well as alcohol dependency checks on employees with airport permits and on drivers.

Lastly, in the second part of 2017 the Enav workplace health and safety management system was implemented and the process for certification in accordance with reference standard OHSAS 18001:2007 *Workplace health and safety management systems* was launched.

Investments

Investments made were designed to ensure that the assets supporting domestic air traffic management services are: i) in line with the technical, economic and performance objectives required; ii) consistent with the quality and performance standards established domestically and internationally by the industry regulatory bodies; iii) in line with the development of the technological platform and with the new European operational concepts defined and developed for the ATM network. The majority of investments is represented by the operations involving operating technological infrastructures, because they directly affect core business corporate activities in terms of the efficiency, cost-effectiveness and safety of air traffic management services. The instrument through which investments are planned is the three-year investment plan, which is updated annually through a remodelling which also takes into account the operational requirements that have emerged during the year.

In 2017 the capex figure with reference to the consolidated financial statements was €115.4 million (€116.2 million at 31 December 2016).

The following are some of the main investments in the process of being made in 2017: i) the 4-Flight programme which is designed to develop the new automation technological platform for Italian Area Control Centers to replace the one currently in operation and adopting the Coflight system as a basic component. With regard to this programme, in 2017 the development of the V3R2 and V3R3 versions were launched and they will be integrated in the 4-Flight programme; ii) the expansion of the Forlì Academy training school which will include the construction of a new integrated technology hub; iii) the Data Link programme, through which voice communications will be replaced with CPDLC text communications (Controller Pilot Data Link Communications) between controllers and pilots which is being installed at Area Control Centers; iv) the launch of the new fall back system for Italian Area Control Centers.

The new objectives of the SESAR project to deal with the current fragmentation of air traffic control services include the implementation of complex programmes on an international scale. Various projects have been launched in this area, with some of the more important ones listed below.

SESAR and research and development activities

The SESAR European research and development project is an initiative launched by the European Commission to provide the Single Sky with the innovative technological elements that enable the creation of a modern, interoperable, efficient air traffic management system that is capable of guaranteeing the development of air traffic on a secure foundation that is environmentally friendly.

In 2017 the first phase of the project relating to period 2009-2016 was concluded with the last report, in which Enav played a very important role leading various pre-operational testing activities, both regarding



airports and overflight and/or approach air space, taking part in 98 projects and more than 30 validation exercises.

The second phase of the project, called SESAR 2020 covers a time scale of six years and breaks down into two activity phases: wave 1 which covers three years (2016-2019) and wave 2 which starts in 2019 and ends in 2021. The project was launched at the end of 2016 and the implementation of the Enav projects involves a contribution from a group of international partners, Linked Third Parties (LTP), appropriately selected on the basis of dedicated technical-operational agreements and the subsidiary Techno Sky which took over from the Sicta Consortium in liquidation. The Enav Group is committed through more than 20 validations to be conducted during Wave 1, 2 of which have already been carried out in 2017. Also note that preparations have already begun for the definition of Wave 2, which is expected to be launched by the end of 2019.

SESAR Deployment Manager

The Deployment Manager (DM) is a body within the European Commission established with the purpose to coordinate and synchronize the modernisation of the air traffic management system in Europe. This activity is carried out through the Consortium, selected by the European Commission, known as the SESAR Deployment Manager (SDM) composed of: several air navigation providers, some airline companies and the *SDAG Sesar Related Deployment Airport Operators Grouping*. In 2017 the Consortium changed its corporate name to Sesar Deployment Alliance Association Internazionale Sans But Lucratif (SDA AISBL).

The Deployment Manager should guarantee the synchronisation and coordination of the local implementation projects necessary to implement the Deployment Programme and therefore the Pilot Common Project (PCP), as well as the related investments. The Deployment Programme also constitutes the reference document for identifying European funding band priorities for the air transport sector.

The SESAR deployment activities, coordinated by the SDM and co-financed by the European Commission through the INEA Agency, include the annual updating of a deployment programme (Deployment Program or DP), in which Enav has a leadership role, in conjunction with the other European stakeholders at the CANSO and A6 Alliance international round tables; at the same time, Enav maintains the alliance between the Corporate Investment Plan and the Deployment Program to guarantee the conformity of the implementation methods and times planned by the Company with the reference European regulations. Note that with regard to the CEF Transport Call for Proposals launched in 2016, the Grant Agreement with the European Commission was formalised in November.

The European Commission has launched a new Transport CEF Call for Proposals in 2017 as well for which Enav is preparing the necessary documentation for taking part.

Environment

On the issue of the environment, the Enav Group has set itself the goal of contributing towards reducing the impact on the environment related to flight operations and to lower the environmental impact of the Group through efficiencies and savings in consumption connected to its core business.

Operational interventions

In order to support Airspace Users in the search for operating methods aimed at reducing fuel consumption and the related environmental impact, the Enav Flight Efficiency Plan (FEP) defines and collects the actions designed to optimise the flight routes that can be planned and to reduce the times for aircraft operations on the ground.

With regard to the environmental targets which should be achieved at European and domestic level, the contribution resulting from the implementation of the Enav FEP is of vital importance. In effect, the implementation of the planned measures is monitored by the government, via ENAC, in the context of the application of the National Performance Plan. From 2012, the FEP is also contribution to the implementation of Italy's action plan on CO₂ emissions reduction which the countries drew up under the scope of ECAC/ICAO to help reach the global targets for reducing the environmental impact of aviation and combating climate change.

The measures implemented in 2017 made it possible to improve the flight planning of airline companies which operate from/to domestic airports or which fly over their airspace where Enav is responsible for the air traffic services.

In December 2016 the third phase of the Free Route Italy Project (FRI) was launched, which actually made the planning of routes in airspace above 33,500 ft easier (FRA-IT). Over three years, the project, step by step, led companies, in that volume of airspace, to exceed the airway planning and preordained route segment restrictions, firstly allowing a simplification and shortening of routes, at certain times and at weekends, and at the end of the project offering greater freedom of choice, seven days a week, for the most direct flight path in French and Italian airspace. The direct result is a potential decrease in the fuel consumption of aircraft and a consequent reduction in the introduction of combustion gases into the atmosphere. It was estimated that in 2017, with the implementation of the FRA-IT, 54% of the traffic involved was able, on average, to reduce the distance of the planned route from the departure point to the destination which consists, in total, of almost 8.5 million kilometres with potential CO₂ savings of around 95 million kg and 30 million kg of fuel. Taking into consideration an average cost for aviation fuel of €0.74 per kg, the benefit for carriers was over €22 million.

Further savings were achieved by flights which, although not benefiting directly from FRA-IT, used the system of shorter direct routes implemented through **the first two phases** of the project and as a



preparation for the actual FRA-IT: the savings were in the order of 283 tonnes of fuel, equal to a reduction in CO₂ emissions of 893 tonnes.

Interventions also took place regarding the availability of portions of the network below FRA-IT airspace to harmonise traffic flows and flight profiles on a certain number of domestic and international connections, some of which also resulted in reductions to the distances, and the creation of more efficient procedures for the airports of Florence, Brindisi and Pescara. The estimated savings associated with these other improvements made to the network is 368 tonnes of fuel and 1,159 tonnes of CO₂.

Lastly, the local trials of the Airport Collaborative Decision Making body (A-CDM) are to be launched in the airport of Napoli Capodichino, which will become the fifth A-CDM Italian airport, after Roma Fiumicino, Milano Malpensa, Milano Linate and Venezia Tessera. Full operation is anticipated for next year, with connection to the European Manager Network. Thanks to the optimisation of turn-round procedures and the integration and continuous exchange of data between Enav, the airport manager, airline companies and the European Network Manager, the A-CDM promotes operational management, contributes to the optimisation of management/movement on the ground and the use of airport capacity improving the profitability of airspace occupation and, as a result, also the management of air traffic flows.

Facilities interventions

In line with the environmental policies introduced in recent years, Enav is committed to the reduction of energy consumption and to reducing greenhouse gas emissions through the adoption of plants for the self-production of energy from renewable sources or from less-polluting sources (methane). This takes place in accordance with the Kyoto Protocol guidelines for the reduction of pollutant emissions, also producing a reduction in energy costs and benefiting from the incentives of the Electricity Services Provider (GSE).

Based on the results achieved in energy diagnoses, in compliance with Legislative Decree 102/2014, at 11 of the most energy-intensive company sites, Enav identified opportunities for improvements in energy efficiency at these 11 sites and, later on, at a further 19 sites with similar characteristics. These opportunities will be put into practice through operations in future years aimed at creating electricity consumption reduction procedures.

Photovoltaic installations are currently used, some of which benefit from the incentives provided by the GSE and they are located at the Enav registered office, the airports of Bari and Ancona Falconara, in the Brindisi Area Control Center and in the Bitonto radio beacon, while photovoltaic installations are in the process of being completed at the airports of Naples and Genoa.

International operations

In an international context, Enav is committed to a series of activities aimed at consolidating relations with other Air Navigation Service Providers both at a bilateral level and through alliances and aggregations (such



as, for example, the A6 Alliance) as well as, with the major existing international institutions and organisations in the field of air transport and, specifically, in Air Traffic Management (between the main ICAO, the European Commission, EASA, CANSO, EUROCONTROL, EUROCAE). From this perspective, Enav is committed to intense international activity at the institutional meetings of ICAO, EUROCONTROL, CANSO, the European Commission, EASA and EUROCAE and in the main industrial processes through direct participation, such as: SESAR Joint Undertaking, SESAR Deployment Manager, European Satellite Service Provider (ESSP) for EGNOS, bilateral cooperation programmes with FAA (United States), NAV Canada, DSNA (France), NATS (United Kingdom), DFS (Germany), State ATM Corporation (the Russian Federation), or multilateral programmes with other service providers such as those belonging to the A6 Alliance, FAB BLUE MED; multi-stakeholder programmes for the development of technological systems, such as Coflight and 4-Flight, ERATO, Datalink and PENS, or with other industrial players for the airborne side, as well as new satellite technologies such as AIREON.

An activity was conducted in 2017 under the auspices of the European institutions for the revision of EU Regulation 216/2008, the basic EASA regulation (European Aviation Safety Agency). New responsibilities were assigned to EASA through the revision of this regulation, especially as regards security and drones, as well as the redefining of relations between the functions of EASA and those of Member States. In 2017 Enav was also committed to numerous activities for the revision of regulations on the Performance Scheme, Charging Regulation, the future Network Manager as well as the development of the regulatory framework relating to common projects for the new European ATM infrastructure. Of particular importance to Enav were some of the activities aimed at producing common standards and requirements in the drone sector (UAS – Unmanned Aerial Systems) and, specifically, the new UTM concept (UAV Traffic Management).

Commercial operations

In 2017 the Enav Group results in terms of revenues from the sale of services on the non-regulated market totalled €14.3 million, a slight reduction compared with the previous year. The most important activities conducted by the Enav Group on the non-regulated market refer to aeronautical consulting and flight inspection services.

In 2017, 78 technical-commercial offers were presented by the Group for a total value of €24.7 million which, together with the offers presented in the previous year, enabled the acquisition of 44 new contracts which, in addition to those already in the portfolio, generated orders for the next three-year period worth €16.2 million.

In addition to these latest important results, commercial activities involved multiple activities, including:

- the submission of services and products to national and international organisations;



- participation in international tenders;
- the conclusion of aeronautical consulting and technical service agreements nationally and training and technical service contracts for international customers;
- promotion and commercial communication to international customers through participation in trade fairs and industry events;
- the signing of commercial cooperation agreements with business partners and technical cooperation agreements with potential customers.

Specifically, the activities which had the greatest economic impact in 2017 were the renewal for the Parent Company of the Flight Inspection agreement in Saudi Arabia, for Enav Asia Pacific the awarding of the Project Management contract for the replacement and upgrading of Navigation, Surveillance, Communication and Air Traffic Management Services in Sabah and Sarawak and for Techno Sky the awarding of the contract for the construction of the new Control Tower for Mitiga International Airport in Tripoli, Libya.

To date, the Enav Group has successfully completed more than 250 projects in 29 different countries worldwide, with some of the main reference markets being Malaysia, the Arabian Peninsula, North and East Africa.

Other information

Business plan

During the year the Group began preparations for the creation and drafting of the 2018-2022 Business Plan. Taking Safety as the vital premise in exercising core activities, the Plan unfolds in a series of key elements, guidelines and objectives.

The actions underlying these strategic elements have resulted in the development of a series of initiatives, as well as leading to the definition of the Commercial Plan, Human Resources Plan, Investment Plan and Economic-Financial Plan.

From the perspective of its creation, the Plan has involved the contribution of all corporate structures involved and its implementation will include the development of initiatives in specific projects which will be implemented and monitored during their development.

The 2018 – 2022 Business Plan was approved during the Board of Directors Meeting held on 12 March 2018.

State/Enav programme contract

For the purpose of the conclusive preparation of the text and subsequent signing of the 2016-2019 programme contract, during the year the Parent Company collaborated with national reference institutions

for the dual purpose of being able to include the observations in the CIPE Resolution in the contract and to bring about its conclusion.

Specifically, some of the most significant new features resulting from the acceptance of the above-mentioned observations, include the extension of the applicability of operational performance (in terms of flight punctuality) to a pre-set number of airports included in the third charging zone, taking into account the rules and methodology set out in the industry EU regulations.

In addition to this, the 2016-2019 Programme Contract includes the transfer of air navigation services from the Air Force to Enav relating to those airports which were previously military and have now become civil. As the airports of Roma Ciampino, Verona, Brindisi and Treviso have already been transferred to Enav, article 3 includes the transfer of services for the airport of Rimini, which moved over to management by Enav in 2016, as well as the raising of the air navigation services at the airports of Cuneo and Crotona, from the AFIS service to Tower service. With regard to the airport of Comiso, the contract establishes that this airport comes under the list of airports managed by Enav and is subject to the charging mechanism.

To date, therefore, the contract was signed by the signatories and is in the process of being registered at the Court of Auditors.

Drones

The Parent Company, by virtue of its role as a provider of air navigation services in Italy on the basis of the State designation as explicitly defined by Article 691 bis of the Navigation Code, conducted joint activities with the regulation authority ENAC for the application of the ENAC regulation on unmanned aerial vehicles (UAVs) and, more specifically, for the development and provision of registration, identification and Unmanned Aerial Vehicles Traffic Management (UTM) services.

ENAC recognised Enav as the body entrusted with the activities associated with the registration and identification of UAVs and, more generally, for services related to the wider area of drones. A specific instrument was used to regulate relations between the parties, the Agreement, which was signed the previous year. By virtue of this agreement, Enav launched and managed the activities for the registration of drones through the creation of a dedicated website (www.D-flight.it). As set out in the Agreement between ENAC and Enav, the provision of UTM services can be conducted by Enav either directly or through other subsidiaries established for this purpose. Enav launched a special tender process in 2017 for this purpose aimed at identifying a business partner with whom to create a NewCo capable of gathering the expertise and infrastructure necessary for the full development of new UTM services (UAV Traffic Management). The procedure should be finalised in 2018.

Enav Group certifications

Enav was subjected to an audit in 2017 as well by ENAC to check that the joint requirements for the provision of air navigation services set out in (EU) Implementing Regulation No. 1035/2011 of the Commission of 17 October 2011 as amended continued to be satisfied.

These joint requirements relate to both general requirements (technical and operational competence and capacity, organisational structure and management, safety and quality management, security, human resources, financial solidity, responsibility and hedging risks, quality of services and disclosure requirements), and specific requirements for each service provided (Air Traffic Services, Communication, Navigation and Surveillance, Aeronautical and Weather Information).

ENAC, as the regulatory body, issued separate certificates, in contrast with the past, when one single certificate covered everything. In particular:

- on 16 February 2017, ENAC issued the updated version of the certificate for Enav as a training organisation for air traffic control also including, among the types of training approved, the Conversion Training (not present in the previous version);
- on 26 March 2017, certificates for the organisation of training for Aeronautical Meteorology/Technical Aeronautical Meteorology and for Flight Information Service Operators.

Specifically, ENAC conducted the following audits at both the Enav Territorial Structures and at the the central functions:

- 22 audits with the aim of checking conformity with the joint requirements and conditions set out in the certificate;
- 6 audits to check that the requirements for operating as a training organisation continue to be satisfied, pursuant to (EU) Regulation 2015/340 of the ENAC Regulation Operating Licence for Flight Information Services (AFIS) and *Requirements for personnel providing meteorological services for the navigation area*;
- 2 audits to confirm conformity with the requirements for operating as an organisation for the design of instrument flight procedures pursuant to the ENAC Regulation.

With regard to the certification of Enav Group corporate management systems, in December 2017 the International Certification Body DNV GL – Business Assurance positively concluded the activities of the second verification phase, with:

- the conversion of the conformity Certificates in accordance with the new version of standard UNI EN ISO 9001:2015 of the Enav Group (Enav and Techno Sky) and the extension at the same time to the Rimini Airport Centre;
- the confirmation of the validity of the conformity Certificate in accordance with standard UNI CEI ISO/IEC 27001:2014 for Enav and the extension at the same time to the Rimini Airport Centre.



As far as the flight inspection air fleet is concerned, Enav was subject to specific audits to check the Approval Certificate for the company for the management of continuous airworthiness, the Approval Certificate for the maintenance company and the Declaration pursuant to EU Regulation No. 965/2012 of the Commission on Flight Operations. At the end of March 2017, in accordance with EU Regulation No. 965/2012, ENAC issued Enav-Flight Inspection Services with approval to carry out the following special operations: Low Visibility Operations Take-off and operations in Reduced Vertical Minimum Separation airspace.

With regard to the other Techno Sky certifications/endorsements, note that in December 2017 the International Certification Body DNV GL – Business Assurance carried out the fourth check on the F-GAS certification (Certification of operators and companies which carry out installation, maintenance or repairs to fixed refrigeration, air conditioning and heat pump equipment containing certain greenhouse effect fluorinated gases) pursuant to (EC) Regulation No. 303/2008.

Legislative Decree 196/2003

In 2017 too, Enav prepared the document on minimum safety requirements set out in the Privacy Code, signed by the acting Data Controller, as well as the analysis of specific risk for personal data, carried out within the Risk Analysis for the Security of Information, under the scope of the Security Management System.

With reference to the handling of personal data, following the regulatory development that took place through the new (EU) European Regulation No. 2016/679 relating to the protection of physical persons with regard to the treatment of personal data (GDPR General Data Protection Regulation), which will come into force on 25 May 2018, exceeding the rules of the personal data protection code (Legislative Decree No. 196/2003), Enav and Techno Sky have initiated the necessary activities to implement the actions necessary to guarantee Group compliance with the regulation in question.

Purchase of treasury shares

The Shareholders' Meeting held on 28 April 2017 authorised the Board of Directors to purchase and dispose of treasury shares for purposes linked to: i) obligations resulting from share option programmes or other allocations of shares to employees or members of Enav administrative bodies and/or companies directly or indirectly controlled; ii) under the scope of extraordinary operations; iii) from the perspective of medium and long-term investment; iv) for activities to support market liquidity. The maximum number of shares it was authorised to purchase was 850,000 and this authorisation is valid for a period of eighteen months from the date of the resolution. Currently, Enav has not purchased any shares and therefore does not hold treasury shares in its portfolio.

Relations with Related Parties

Related parties refer to entities controlled, directly or indirectly, by Enav, the parent company the Ministry of Economy and Finance (MEF), subsidiary and associated entities, controlled directly or indirectly by the MEF and the overseeing Ministry namely the Ministry of Infrastructure and Transport (MIT). Other related parties are directors and their immediate family, full members of the Board of Statutory Auditors and their immediate family, executives with strategic responsibilities and their immediate family, of the Parent Company and companies directly and/or indirectly controlled and the benefit plan funds following the end of the employment relationship for Group employees.

Related-party transactions conducted by the Enav Group in 2017 essentially involved services that were part of routine management and regulated at market conditions, described in more detail in Note No. 33 of the Consolidated Financial Statements and in Note No. 30 of the Financial Statements as at 31 December 2017.

Enav, 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 on the subject of related-party transactions adopted through CONSOB resolution No. 17221 of 12 March 2010, and subsequent amendments and additions, established, with effect from the date of the admission to trading of the company's shares on the Mercato Telematico Azionario organised and managed by Borsa Italiana, the procedure that governs Related-Party Transactions approved by the Board of Directors at the meeting held on 21 June 2016. In 2017, the above-mentioned procedure was subject to updating and amendments approved by the Board of Directors, having obtained the favourable opinion of the Control and Risk and Related-Parties Committee, at the meeting held on 13 November 2017, and it is available on the Enav website www.enav.it in the Governance section in the company documents area.

Note that in 2017 there were no transactions of major importance as identified in Annex 1 of the above-mentioned procedure, or transactions subject to disclosure obligations because they came under the cases excluded by the procedure, or transactions which had a significant influence on the consolidated financial position or the consolidated results for the year.

Market regulation

With regard to regulatory provisions on the subject of the conditions for the listing of controlling companies, companies established and regulated in accordance with the laws of countries not belonging to the European Union and of significance for the purpose of the consolidated financial statements, required by Article 15 of the CONSOB markets regulation (adopted through CONSOB Resolution No. 16191/2007 and subsequent amendments, lastly updated through Resolution No. 20249 of 28 December 2017), note that as at 31 December 2017 of the companies controlled by Enav, Enav North Atlantic LLC comes under the regulatory provision and adequate procedures were adopted to ensure compliance with the above-



mentioned regulation. The Statement of Financial Position and the Income Statement of the 2017 Financial Statements of Enav North Atlantic LLC included in the reporting package used for the purpose of preparing the Consolidated Financial Statements of the Enav Group will be made available to the public pursuant to the provisions of Article 15, paragraph 1, letter a) of the Market Regulation.

Pursuant to the CONSOB communication of 28 July 2006 No. DEM/6064293 note that in 2017 the Group did not conduct any atypical and/or unusual transactions and there were no significant events or transactions of a one-off nature.

Information regarding Enav Group companies

The characteristics and economic performance of Enav Group companies as at 31 December 2017 are listed below.

Techno Sky

The Company, wholly-owned by Enav, is engaged in managing, assisting and maintaining the systems and equipment used for national air traffic control, ensuring its full and constant availability and operational efficiency without interruption. The Company ended 2017 with a net profit of €6.3 million, an increase of 50.8% compared with the previous year. The economic results include EBITDA of €9.7 million, up 26.3% compared with the previous year, as a result of a 0.7% growth in revenues and a 1.6% reduction in costs. Specifically, personnel costs fell by 1.1% both in terms of fixed and variable remuneration on account of the lower average headcount of 5 employees recorded in 2017 although at the end of the year there was a greater number of effective resources in terms of 22 employees who joined in the last quarter. Operating costs also fell by 3.1% taking into consideration the shares of extraordinary costs recorded in 2016. The lower impact of amortisation, depreciation and write-downs and allocations to the risk provision in 2017 had a positive impact on EBIT standing at €9.1 million, up 32.9% compared with the previous year. From the point of view of the technical results achieved in the reference period, in 2017 too Techno Sky maintained a good level of technical performances, related to the global maintenance contract for Enav operating systems, both with regard to the management and maintenance of the ATC technological infrastructure hardware and the maintenance of various types of software, corrective, adaptive and developmental.

Enav Asia Pacific Sdn Bhd

Enav Asia Pacific is a company under Malaysian law, established in March 2013 for the development of Group commercial activities in Asian and Oceanic countries and it also carries out aeronautical consulting activities for the Malaysian Department of Civil Aviation. The company, wholly-owned by Enav, ended 2017



with a net profit of €967 thousand, slightly up on the previous year. The net profit for the year, similar to the previous year, was mainly influenced by the effects produced by the agreement signed in December 2015 with the Malaysian DCA to be developed further in future years. The total value of the above-mentioned agreement is €12 million.

The company is run by a Chief Executive Officer, nominated by the Board of Directors and appointed by the Parent Company.

Sicta Consortium in liquidation

The Sicta Consortium in liquidation, owned 60% by Enav and 40% by Techno Sky, was placed into voluntary liquidation through the resolution of the Shareholder's plenary Meeting of the Sicta Consortium held on 3 March 2017, which took effect from the recording of the resolution in the companies register which took place on 28 March 2017. In 2017 the Consortium was involved in European funded projects until the time of the formalisation of their transfer to Techno Sky. As at 31 December 2017 the Consortium had no employees.

Enav North Atlantic

This is a Limited Liability Company regulated by the laws of the American state of Delaware, wholly-owned by Enav, established in January 2014 for participation in the investment in Aireon LLC, the US company of the IRIDIUM Group, for a total amount of USD 61.2 million and an equity investment owned at the date of the Financial Statements of 10.07% which, as a result of the redemption clause included in the obligations arising from the Subscription Agreement signed in December 2013, is expected to increase to 12.5%. The corporate purpose of Aireon LLC is the provision of satellite surveillance services for air traffic through a payload system installed on board 66 operational satellites owned by Iridium. The technology will increase surveillance coverage, currently equal to around 30% of the earth's surface, to include 100% of the globe with immediate positive effects, such as: availability of more efficient routes especially in remote areas, oceans, deserts and poles, with a reduction in greenhouse gas emissions and fuel consumption; exploitation of investments already made by airline companies in ADS-B system; availability for providers of a global air traffic surveillance system without the need to incur significant costs for the development of new infrastructure.

As it is a non-operational company which exclusively owns the equity investment in Aireon LLC, the financial statements for the year ended 31 December 2017 recorded a negative result of €59 thousand as a result of its financial exposure with regard to the Parent Company.



Risk management

Taking into consideration the activity profile and the highly regulated context in which it operates, the Enav Group is essentially exposed to risk profiles of a regulatory and technical-operational nature. However, taking into consideration the increasingly changing global and competitive scenario of the ATM system and the expectations of the financial community and stakeholders, it is increasingly important to also anticipate, analyse and manage the emerging risks, which could affect standing and reputation.

Naturally, by virtue of the strong integration and correlation of risks, the risk profiles relating to enabling factors, such as technological and infrastructure development, human and organisational capital, are also of primary importance.

These aspects, like all types of risk, are subject to careful analysis by the Enav Group, which has identified the main risks associated with its activities and has prepared dedicated safeguards, instruments and organisational measures with the objective of reducing them, minimising or lessening any impacts keeping them within acceptable limits.

With regard to financial risks, refer to the contents of the Notes to the Consolidated Financial Statements.

Safeguarding Group risks

Enav believes that an integrated control system based on the management of risks, at all organisational levels, is a fundamental requirement for the effective governance of the Group's activities and for compliance with applicable industry laws, regulations and technical standards.

In this context, Enav implemented and is further developing its own Enterprise Risk Management system (ERM) aimed at balancing the subjective perception of the various Risk Owners in the best way possible and evaluating the interdependence of the risks of the various ERM domains defined.

Specifically, in order to best support the Board of Directors in its role of supervising risk and defining the risk appetite, i.e. the nature and level of risk compatible with Group objectives, a risk appetite framework was prepared in 2017 which, starting with the objectives of the business plan, provides a representation of the main risk categories and the related top risks in order to obtain the desired level of details and to identify any interdependencies by virtue of the cause and effect links or reciprocal influence connecting them. This framework also includes the definition of the levels which when reached and/or exceeded activate the response actions necessary to keep the levels of risk exposure within the defined limits.

A document was formalised under the scope of this framework known as the Risk Appetite Statement which defines the risk propensity and tolerance and the necessary guidelines for risk handling and monitoring activities by management, highlighting the primary concern of the corporate institutional mission and duties of protection associated with Enav's statutory and legal mission.

Specifically, the measures aimed at the further strengthening of the existing safeguards are formalised through the approval of the risk treatment plans, both in terms of policies aimed at guiding behaviour in terms of the assessment, assumption and transfer of risks (Risk Policy), in line with the risk propensity and tolerance levels, and through concrete measures associated with the treatment of the actual risks.

With regard to the management of financial risks, a Risk Policy was issued in 2017 with the purpose of formalising several principles and operating limits or further risks with regard to characteristic management, and on the consistency between the accounting and the risk objectives through the application of hedge accounting. The monitoring of the Group's exposure to significant risks, lastly, is carried out through Key Risk Indicators aimed at measuring the performance of risk in relation to desired and tolerated levels.

Risks associated with Air Navigation Services

In the provision of air navigation services, Enav is subject to a security guarantee relating to *Safety* and a protection obligation relating to *Security*. International, European and national standards governing safety and security require the Company to be responsible for standards and objectives aimed at mitigating the risk inherent in the effects of breaches of security, together with measures for restoring safety levels.

Taking these premises into consideration and taking into account that the impacts that can be generated by the occurrence of risk events associated with the provision of air navigation services also affect the image and the reputation of the Enav Group, all the necessary actions for achieving and maintaining the intrinsic level of risk inherent in the nature of the services, in other words which cannot be mitigated further through treatment actions, should be considered as a priority.

In this context, ensuring effective safety management for preventing and/or containing the risks associated with the provision of the core business within acceptable limits, as well as being at the heart of Enav's mission, is vital for maintaining the necessary certification for carrying out both the air navigation service provision activities and training organisation activities of the supplier and, therefore, the risk of misalignment between the expected goal and the actual performance achieved should be managed.

On account of the severity of the safety risk, the Company, through a dedicated protection mechanism and a Safety Post Holder, draws up its own safety policies and has a three-year Safety Plan in which it plans the activities that the Company is committed to implement in order to maintain compliance and reach the nationally-defined and European Union Safety Performance Levels and Safety Targets.

The Company is also exposed to specific Security risks in connection with the significant size of its technological systems; to the relative interdependence of the effects of violations by employees of contractors, sub-contractors and consultants; to the nature and location of physical infrastructures located throughout Italy; to the size of the number of staff and diversity; to the threats with regard to the industry in which the Company operates.

On account of the severity of the Security risk, the Company has established consolidated control and management tools and has a dedicated protection mechanism that a Security Post Holder is responsible for. The risk is overseen through periodic security risk assessment activities and the security risk treatment activities are constantly monitored under the framework of a security management system that is an integral part of the certification process of service providers in accordance with the joint requirements established by EU Regulation No. 1035/2011, as well as the strengthening of the Security Operation Center both for physical security and information. A management model was also created for the threat indicators distributed by the Public Authorities and essential service providers which reinforces the centrality of the Company in the context of the national cybersecurity strategy, implementing the Prime Ministerial Decree of 17 February 2017 and European Directive 1148/2017 introducing measures for a joint high security level for information networks and systems in the European Union.

The monitoring of risk levels associated with air navigation services and check of the consistency with security targets and tolerated levels take place through specific indicators such as, for example: i) critical safety problems related to runway incursions and infringements of the minimum separations between aircraft; ii) Safety Management level of effectiveness and continuity of air navigation services; iii) level of functional availability of air navigation service support systems; iv) performance of the ATM/CNS systems management, intervention, breakdown resolution and service restoration times; v) performance of the management of security incidents in terms of compliance with intervention times/ticket management, number of physical security incidents and information, number of significant interruptions to critical services (e.g. energy, phone/data connectivity); vi) management times of non-conformity under the scope of operational certification with a potential impact on the maintenance of certification and associated responsibilities.

Risks associated with technological and infrastructure development

The Enav Group has a technologically complex infrastructure, in terms of geographical distribution and which is constantly evolving, making it possible to comply with its mission and provide air navigation services guaranteeing the expected levels of performance and safety required at a 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.

This development can be affected by multiple internal risk factors, associated, for example, with the effective planning and monitoring of investment contracts, the effective and efficient exploitation of the financial resources available or external risk factors related to developments of the regulatory framework which, in addition to imposing new and specific requirements, can affect the acquisition process.

With regard to this risk category, taking into consideration the current level of development of the Group's technological and infrastructure sector, the occurrence of internal and/or external risk matrix factors, where not promptly managed, could adversely affect integrity in the medium-/long term.

In this context, in addition to the current safeguards, the Group has initiated several important treatments with the aim of improving the prioritisation and control model for investments, both in terms of the process and support tools.

Risks associated with the development of the business

The development of new business sectors and the growth of the non-regulated business in the third market constitutes an opportunity for development 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 management leverage, such as the growth of the market and demand for these services or by endogenous factors.

With reference to the latter, over which the Group has greater management leverage, the main risks are linked to the capacity of the Group to intercept market requirements in advance and manage to operate with the necessary flexibility and reactivity in response to changes in the technological, regulatory and business scenarios.

With regard to these risks, the Group is preparing a high level of protection for the opportunities offered by the market through the development of organisational structures and processes aimed at reading these requirements with the required speed. In addition, in order to strengthen the risk control and management system, a Group Risk Policy has been issued for commercial activities with the aim of standardising risk assessment risk based criteria and the approval of commercial initiatives aligning them with sector best practices.

Risks associated with traffic and cost governance

This is defined as the risk related to the possible change in the parameters that determine regulated revenues and to the differences compared with the estimates, especially when calculating charges.

When the second performance plan ends in 2019, even if there have been no changes to the regulatory framework, the calculation of charges could suffer negative effects resulting from the application by the European Commission of more stringent parameters for the recovery of costs.

As far as the changes in traffic volumes and the resulting risk are concerned, Enav has implemented control safeguards, which make it possible, through the constant monitoring of final datas and the development of scenario-based forecasts, to have a better understanding of the progression of demand and the activation of any further mitigation measures based, for example, on the planning of the activities in the business plan and/or on improving cost efficiency. It is, however, important to stress how traffic risk is mitigated, as set

out in the current regulatory framework, by the revenue stabilisation mechanism (*traffic risk sharing*) which by sharing the risk with airspace users (the airlines) makes it possible to significantly limit losses for falls in demand of more than 2%.

Still in the area of this risk, related therefore to the reference regulatory framework, it is important to highlight how Enav is obliged to provide a quality service in relation to the performance target parameters and failure to reach them involves a risk of lost revenue linked to the disappearance of incentives intended for this purpose. In this case too, the Company has implemented a constant safeguard, monitoring quality performance without, however, ever highlighting significant differences in this regard.

Risks associated with human and organisational capital

This is the risk that the human capital of the Enav Group, in other words the collection of technical skills, know-how and abilities which give rise to the human capacity for creating value for the Group, is inadequate compared with the operating model and the development of the business strategic requirements.

Together with the technological infrastructure, human and organisational capital actually represents one of the key factors for the Enav Group for maintaining the levels of excellence, in terms of security, operating capacity, economic efficiency and environmental impact, in the provision of regulated and non-regulated services and constitutes a strategic asset for consolidating the Group among the best internationally recognised performers.

The continuous improvement in technical skills, know-how and abilities in addition to being a must imposed by laws and regulations at an operational level, whose compliance is periodically checked by external regulators, is considered as an opportunity with regard to which the overall growth of the Group should be planned also with reference to non-regulated activities and future technological and business challenges.

Under the scope of the Group, the safeguards against these risks control the preparation and supervision of the main human resources development programmes and activities supporting the decisions relating to personnel management and short and long-term variable remuneration systems. These safeguards have the objective of ensuring an increasing extension of the principles of continuous improvement for the entire Group human capital guaranteeing expertise and continuity in the key roles of the organisation.

In this context, in addition to the existing safeguards, in 2017 the Company launched two important treatments, namely: i) consolidation of the core skills evaluation method models and the improvement of the training requirement analysis process with the goal of making them more closely connected to safety and service quality; ii) development of a new managerial skills model and a people evaluation and development system, training courses and key role replacement tables.

Risks associated with governance and compliance issues

Over the last decade the issues of Corporate Compliance, not directly associated with the business activities conducted, including those resulting from Legislative Decree 231/01 on the administrative responsibility of the Company, from Law 262/05 for the protection of savings and governance of financial markets, from Legislative Decree 81/08 on the subject of the safeguarding of workplace health and safety, from EU Regulation 2016/679 on Privacy, from Legislative Decree 254/16 on Non-Financial Information, from the framework governing market abuse, from Legislative Decree 50/16 on the subject of public contracts, have increased constantly and rapidly, requiring investments in terms of resources and processes in order to safeguard these issues.

The constant monitoring of the applicable regulator developments and the related adjustment of responsibilities, processes, organisational, governance and control systems, is a vital commitment for Enav, not only in pursuing the objective of full compliance with the reference regulatory framework, but also *a fortiori* for the presence of the Company on the regulated share market.

The Group constantly monitors the development of the reference legislative framework in order to prevent and/or mitigate, as far as possible, the effects on the operating and business objectives, by examining the legislative developments and provisions and through cooperative discussions with national and European institutions and with industry governing and regulatory bodies.

Specifically, as far as the **risk under the scope of Legislative Decree 231/2001** is concerned, the programme of activities aimed at strengthening the risk safeguards was completed through the integration and completion for both Enav and the subsidiary Techno Sky of the Organisational and Management Model (MOG) and the Code of Ethics as well as the training programme on the subject of Legislative Decree 231/2001 aimed at Group personnel. Lastly, a procedure on information flows to the Supervisory Authority was issued for both Enav and Techno Sky.

In the field of **fraud and corruption**, the Group intends to pursue the activity of raising awareness of the principles aimed at preventing acts of corruption in compliance with the principle of zero tolerance of the risk of fraud and corruption with the objective of safeguarding the reputation and image of the Group, as well as guaranteeing stakeholders the utmost attention and commitment in the application of the Code of Ethics and rules of conduct.

To identify potential vulnerability and remove it, the Group has a whistleblowing system in line with best market practices. The monitoring of reporting in 2017 highlighted 15 cases in which events of fraud or corruption emerged. Still in the area of fraud and corruption, there are different treatments, some in progress others concluded in 2017, aimed at making the internal control system more effective and robust, including: i) the definition of a Group zero tolerance (anti-corruption) policy; ii) the adoption of an anti-corruption and anti-fraud model; iii) the adoption of a regulation on reporting with special attention to

protecting whistleblowers; iv) the definition of a training plan, classroom-based and online on the issues of anti-fraud and anti-corruption.

The Enav Group is strongly committed to the mitigation of **risks associated with the environment and worker health and safety** and uses special Management Systems aimed at the continuous improvement of the process and methods through which the above-mentioned issues are managed, both in terms of compliance with applicable regulations and satisfying best practices in terms of the organisation and management of the underlying processes. In accordance with Article 30 of Legislative Decree 81/08 the Enav Group implemented the Group Workplace Health and Safety Management Systems including specific measures of an organisational and procedural nature which, in addition to guaranteeing compliance with the reference legislation and internal rules, ensuring the control of risks and improvement of performance on the subject of workplace health and safety, also targeting the goal of obtaining OHSAS 18001 certification from an accredited certification body.

In the area of **personal data protection and privacy**, the Enav Group collects, stores and processes personal data and confidential information relating to its employees and other third parties in compliance with the obligations required by Legislative Decree 196/2003 and later amendments. These obligations, laws and standards require the Group to comply with certain requirements on the subject of the collection, use, archiving, disclosure and distribution of personal data under the scope of the management of the employment relationship. In this area, note the regulatory development that took place with the new EU Regulation 2016/679 known as the General Data Protection Regulation (GDPR), the application of which is set for 25 May 2018, on a date on which the GDPR will formally abolish the rules of the Code for the protection of personal data (Legislative Decree No. 196/2003).

The GDPR introduces several important principles and aspects of a organisational nature with obvious implications of a technological nature. The Group will be obliged to carry out an assessment of the impact on the data protection and, where applicable, should involve the appointment of a Data Protection Officer (DPO). The obligation was also introduced for every Company handling data to prepare and maintain a register of data treatment activities with the obligation of notifying breaches by the data controller.

In order to adapt to the new regulations, in 2017 the Group initiated the necessary activities by identifying the actions to be implemented to guarantee the compliance of the Group with the regulations.

In the area of **Non-Financial Information**, the Company already prepared the first non official document in 2016 with the goal of allowing the identification of internal contacts and testing the processes necessary for the collection of the qualitative and quantitative data necessary for the preparation of the document in conformity with Legislative Decree No. 254 of 30 December 2016. Further actions to strengthen the safeguards were launched for the preparation of the 2017 Non-Financial Information, including: i) preparation of the quality management system procedure and formalisation of the responsibilities of the contacts and data owners and information flows to the activity responsible function; ii) analysis of

materiality, through meetings with all the Managers and Top Management, aimed at defining the most significant sustainable themes for the Group and for stakeholders with the ultimate aim of defining a materiality matrix; iii) actions and projects aimed at improving the level of efficiency in the management of sensitive topics in the area of sustainability; iv) the development of an IT system for data management.

Risks associated with image and reputation

Corporate image and reputation are factors of success for organisations which, in their business, have to relate to customers, institutions, authorities, shareholders and stakeholders. The issues in this area take on greater importance for companies listed on regulated markets because the community of investors is considerably affected by events and developments capable of prejudicing these aspects. There are many events that can affect corporate image and reputation in complex organisations and they can be diverse and of differing extents which, on account of the particular nature of Enav, can have direct relations with the duty of care associated with the protection of the primary values of the ordering and interests of investors and other stakeholders.

Taking into consideration the recent listing on the stock exchange and new obligations required from the Group, in terms of market information and disclosure, Enav takes great care over safeguarding sources of risks that could cause harm to the corporate image and reputation and constantly monitors image relevant contents in the press, on the radio, TV, internet and social media.

In this respect Enav's risk protection is founded on prevention and on compliance with rules, as well as on the adoption of rules and processes designed to minimise damage to image and reputation. In general, also after the listing of the Company, safeguarding risk was reinforced through several important activities: i) adaptation to regulations on the subject of financial disclosure (press releases, rules of engagement, circulation of information); ii) intensification of contacts with the specialist press (economic/financial); iii) subscriptions to specific press agencies (Reuters, Market insight); iv) the adoption of an ad hoc procedure for publication and related control of the contents of the institutional website (www.enav.it).

Significant events after 31 December 2017

On 27 February 2018 the Board of Directors of Enav authorised the granting of a short-term shareholders' loan, via the subsidiary Enav North Atlantic LLC, in favour of the investee company Aireon LLC, up to a maximum amount of USD 7.13 million, which bears interest. The provision will take place in regular payment tranches, based on the financial requirements estimated by the management of Aireon. The first tranche of approximately USD 1.8 million was paid on 9 March 2018.

Business outlook

There were positive signs in the year that has just ended in terms of economic recovery and volumes of air traffic in domestic airspace.

With regard to the latter, after sustained growth recorded in 2017 peaking in September and October at 7%, the growth trend in the first month of 2018 was also up 7.6% for en-route service units.

The European Commission estimates for Italy include a +1.5% increase in GDP in 2018, a forecast figure that has been upgraded compared with the estimates made in September when growth for Italy in 2018 was forecast at 1%.

This domestic economic situation, together with the growth trend for traffic are directing Eurocontrol's air traffic estimates for Italy for next year towards a value of between +3.2% and +5.4% for service units. In this context, in 2018 the Group expects to maintain continuity with the guidelines and management actions adopted until now that have enabled it to obtain important results in 2017, also through greater development of the non-regulated market.

No less important will be the development of the new Performance Plan which will define Enav's economic sector (cost efficiency and charges) for the next regulatory period 2020-2024. This activity currently makes provision that within the first half of 2018 service provider will supply an initial economic plan that takes the new regulatory framework, which is being finalised by the European Commission, into account.

Taking into consideration the need for alignment between the regulations, corporate strategic decisions and the new status of listed company acquired in 2016, Enav will be committed in 2018 to continue overseeing the main sector regulations and to develop the projects and initiatives of the new Business Plan.

Proposals to the Enav S.p.A. Shareholders' Meeting

Dear Shareholders,

the financial statements for the year ended 31 December 2017, which are being submitted for the approval of the Shareholders' Meeting, include a profit of €94,504,734.29.

We invite you to:

- approve the financial statements as at 31 December 2017 where the profit for the year was €94,504,734.29;
- allocate 5% of the profit for the year equal to €4,725,236.71 to the legal reserve as indicated by Article 2430, paragraph 1 of the Civil Code and €89,779,497.58 as a dividend to be distributed to Shareholders;
- take an amount of €11,201,655.78 from the "retained earnings" available reserve in order to distribute, together with the allocation to the dividend of the profit for the year, giving a dividend of €100,981,153.36, corresponding to a dividend of €0.1864 per share for outstanding shares at the ex-dividend date. The payment of the dividend of €0.1864 per share will take place on 23 May 2018, with the ex-dividend date set for 21 May 2018 and the record date for 22 May 2018.

Chief Executive Officer

Roberta Neri





ENAV GROUP CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2017



Enav Group Consolidated Financial Statements at 31 December 2017

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ENAV GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

ASSETS

<i>(Euro)</i>	Notes	31.12.2017	of which related parties (Note 33)	31.12.2016	of which related parties (Note 33)
Non-current assets					
Tangible assets	7	1,027,515,875	0	1,056,280,954	0
Intangible assets	8	124,413,813	0	123,084,462	0
Investments in other companies	9	51,216,852	0	36,468,066	0
Non-current financial assets	10	13,001,295	0	13,670,781	0
Deferred tax assets	11	24,785,005	0	24,219,373	0
Non-current tax receivables	12	24,858,353	0	25,176,747	0
Non-current trade receivables	13	88,173,706	0	153,538,885	0
Total non-current assets		1,353,964,899	0	1,432,439,268	0
Current assets					
Inventories	14	60,986,028	0	60,894,773	0
Current trade receivables	13	285,810,027	44,507,875	226,650,924	43,626,597
Current financial assets	10	325,067	0	1,221,112	0
Tax receivables	12	26,178,368	0	40,070,374	0
Other current assets	15	11,668,739	3,396,861	12,975,832	3,994,983
Cash and cash equivalents	16	263,325,431	557,623	231,007,041	327,564
Total current assets		648,293,660		572,820,056	
Assets classified as held for disposal	17	1,195,674		1,055,932	
Total Assets		2,003,454,233		2,006,315,256	

Consolidated statement of financial position

SHAREHOLDERS' EQUITY AND LIABILITIES

<i>(Euro)</i>	Notes	31.12.2017	of which related parts (Note 33)	31.12.2016	of which related parts (Note 33)
Shareholders' Equity					
Share capital	18	541,744,385	0	541,744,385	0
Reserves	18	453,311,632	0	455,753,806	0
Retained earnings/(accumulated losses)	18	23,411,079	0	45,982,811	0
Profit (loss) for the year	18	101,497,826	0	76,345,474	0
Total Group Shareholders' Equity	18	1,119,964,922	0	1,119,826,476	0
Minority interests and reserves		0	0	0	0
Minority interests in profit (loss)		0	0	0	0
Total minority interest in Shareholders' Equity		0	0	0	0
Total Shareholders' Equity	18	1,119,964,922		1,119,826,476	
Non-current liabilities					
Provisions for risks and charges	19	7,270,672	0	7,225,672	0
Employee severance indemnity and other benefits	20	55,635,827	0	57,387,647	0
Deferred tax liabilities	11	3,504,717	0	4,010,248	0
Non-current financial liabilities	21	350,670,193	0	299,726,688	1,660,947
Non-current trade payables	22	23,647,605	0	16,768,995	0
Other non-current liabilities	23	106,252,719	0	111,883,859	0
Total non-current liabilities		546,981,733		497,003,109	
Current liabilities					
Short-term portion of provisions for risks and charges	19	2,208,600	0	3,802,794	0
Current trade payables	22	130,854,158	20,693,540	132,512,354	31,328,535
Tax and social security payables	24	39,380,997	0	42,701,657	0
Current financial liabilities	21	30,461,827	1,663,703	32,621,735	3,313,023
Other current liabilities	23	133,101,668	59,882,227	176,803,696	104,258,158
Total current liabilities		336,007,250		388,442,236	
Liabilities directly associated with assets held for disposal	17	500,328		1,043,435	
Total liabilities		883,489,311		886,488,780	
Total shareholders' Equity and liabilities		2,003,454,233		2,006,315,256	

Consolidated income statement

<i>(Euro)</i>	Notes	2017	of which related parties (Note 33)	2016	of which related parties (Note 33)
Revenues					
Revenues from operations	25	863,160,709	14,079,102	806,410,264	14,746,886
Balance	25	(17,223,255)	0	16,427,689	0
Other operating income	26	45,616,906	37,490,414	52,180,176	38,903,618
Total revenues		891,554,360		875,018,129	
Costs					
Costs for raw materials, supplies, consumables and goods	27	(7,779,430)	(316,413)	(8,959,912)	(437,298)
Costs for services	27	(130,535,421)	(3,974,548)	(142,394,480)	(4,568,008)
Personnel costs	28	(478,421,493)	0	(478,133,672)	0
Costs for the use of third-party assets	27	(5,632,167)	(89,382)	(6,080,756)	(86,308)
Other operating expenses	27	(4,993,854)	0	(4,095,568)	0
Capitalisation of internal work	29	29,133,043	0	29,272,555	0
Total costs		(598,229,322)		(610,391,833)	
Amortisations and depreciation	7 and 8	(140,060,746)	0	(142,516,099)	0
Write-downs and losses/(write-backs)	13	(7,284,748)	0	(2,022,283)	0
Provisions	19	701,733	0	(3,203,788)	0
Operating income		146,681,277		116,884,126	
Financial income and expenses					
Financial income	30	3,971,289	0	4,599,391	0
Financial expenses	30	(6,458,220)	(70,931)	(6,726,381)	(139,792)
Profit (loss) on foreign exchange	30	(441,705)	0	(53,185)	0
Total financial income and expenses		(2,928,636)		(2,180,175)	
Income before taxes		143,752,641		114,703,951	
Income taxes	31	(42,254,815)		(38,358,477)	
Profit (loss) for the year		101,497,826		76,345,474	
<i>attributable to parent company</i>		<i>101,497,826</i>		<i>76,345,474</i>	
<i>attributable to minority interests</i>		<i>0</i>		<i>0</i>	
Basic earnings/(loss) per share	38	0.19		0.11	
Diluted earnings/(loss) per share	38	0.19		0.11	

Consolidated statement of other comprehensive income

<i>(Euro)</i>	Notes	2017	2016
Profit (loss) for the year	18	101,497,826	76,345,474
<i>Other components of the comprehensive income statement that will subsequently be reclassified in profit/(loss) for the year:</i>			
- Differences arising from the translation of foreign financial statements	18	(5,740,622)	1,631,119
- Fair value of derivative financial instruments	10 and 18	(1,095,239)	205,569
- Tax effect of the valuation at fair value of derivative financial instruments	11 and 18	262,857	(49,336)
<i>Total components of the comprehensive income statement that will subsequently be reclassified in profit/(loss) for the year</i>		(6,573,004)	1,787,352
<i>Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year:</i>			
- Actuarial gains/(losses) on employee benefits	18 and 20	137,516	(2,012,789)
- Tax effect of actuarial gains/(losses) on employee benefits	11 and 18	(33,004)	483,069
<i>Total components of the comprehensive income statement that will not subsequently be reclassified in profit/(loss) for the year</i>		104,512	(1,529,720)
Total Profit (loss) of Comprehensive Income Statement		95,029,334	76,603,106
<i>attributable to parent company</i>		<i>95,029,334</i>	<i>76,603,106</i>
<i>attributable to minority interests</i>		<i>0</i>	<i>0</i>

Consolidated statement of changes in Shareholders' equity

	Reserves					Total reserves	Retained earnings/(accumulated losses)	Profit (loss) for the year	Total Shareholders' Equity
	Share capital	Legal reserve	Sundry reserves	Reserve for actuarial gains/(losses) for employee benefits	Cash Flow Hedge				
Balance at 31 December 2015	941,744,385	15,876,762	43,163,664	(8,727,931)	2,692,806	53,005,301	29,717,020	66,083,249	1,090,549,955
Allocation of net profit from the previous year	0	2,490,873	0	0	0	2,490,873	63,592,376	(66,083,249)	0
Dividend disbursement	0	0	0	0	0	0	(47,326,585)	0	(47,326,585)
Share capital reduction	(400,000,000)	0	400,000,000	0	0	400,000,000	0	0	0
Currency translation difference reserve	0	0	1,631,119	0	0	1,631,119	0	0	1,631,119
Comprehensive Profit (loss) recognised, including:									
- Profit (loss) recognised directly in equity	0	0	0	(1,529,720)	156,233	(1,373,487)	0	0	(1,373,487)
- Profit (loss) for the year	0	0	0	0	0	0	0	76,345,474	76,345,474
Balance at 31 December 2016	541,744,385	18,367,635	444,794,783	(10,257,651)	2,849,039	455,753,806	45,982,811	76,345,474	1,119,826,476
Allocation of net profit from the previous year	0	3,570,194	0	0	0	3,570,194	72,775,280	(76,345,474)	0
Dividend disbursement	0	0	0	0	0	0	(95,347,012)	0	(95,347,012)
Share capital reduction	0	0	0	0	0	0	0	0	0
Currency translation difference reserve	0	0	(5,740,622)	0	0	(5,740,622)	0	0	(5,740,622)
Long term incentive plan	0	0	456,124	0	0	456,124	0	0	456,124
Comprehensive Profit (loss) recognised, including:									
- Profit (loss) recognised directly in equity	0	0	0	104,512	(832,382)	(727,870)	0	0	(727,870)
- Profit (loss) for the year	0	0	0	0	0	0	0	101,497,826	101,497,826
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

Consolidated statement of cash flows

	Notes	31.12.2017	of which related parties	31.12.2016	of which related parties
A - CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (*)	16	231,811		174,141	
Net cash flow generated/(absorbed) from operating activities					
Profit (loss) for the year	18	101,498	0	76,345	0
Amortisation and depreciation	7 and 8	140,060	0	142,516	0
Net change in liabilities for employee benefits	20	(2,114)	0	(2,193)	0
Change resulting from currency exchange	18	(3,536)	0	925	0
Loss on sale of tangible assets and impairment loss of tangible and intangible assets	7 and 8	1,189	0	71	0
Other income/expense on non-monetary flows	7	837	0	55	0
Provision for stock grant plans	28	456	0	0	0
Provisions for risks and charges	19	(1,549)	0	(3,122)	0
Net change of deferred tax assets and deferred tax liabilities	11	(840)	0	2,116	0
Decrease/(increase) in inventories	14	463	0	1,549	0
Decrease/(increase) in current and non-current trade receivables	13	6,188	(881)	(22,416)	7,314
Decrease/(Increase) Income tax and tax and social security debts	12 and 24	10,719	0	46,616	0
Change in other current assets and liabilities	15 and 23	(42,173)	(43,778)	(3,731)	7,884
Change in other non-current assets and liabilities	23	(5,630)	0	(905)	0
Increase/(decrease) in current and non-current trade payables	22	(11,930)	102	(12,620)	(7,089)
B - TOTAL CASH FLOW FROM OPERATING ACTIVITIES		193,638		225,206	
			of which Taxes paid		of which Taxes paid
			(36,547)		(37,637)
			of which Interest paid		of which Interest paid
			(3,650)		(6,151)
Net cash flow generated/(absorbed) from investing activities					
Investments in tangible assets	7	(106,889)	0	(105,701)	0
Investments in intangible assets	8	(8,488)	0	(10,485)	0
Increase/(Decrease) in trade payables	22	17,251	(10,737)	26,740	6,217
Investments in other shares	9	(16,890)	0	0	0
C - TOTAL CASH FLOW FROM INVESTING ACTIVITIES		(115,016)		(89,446)	
Net cash flow generated/(absorbed) from financing activities					
New medium and long term loans	21	80,000	0	0	0
(Repayments) of medium and long term loans	21	(31,333)	(3,310)	(31,200)	(3,291)
Net change in short-term financial liabilities	21	220	0	0	0
Bond issue	21	0	0	0	0
Net change in short-term financial liabilities	21	0	0	(166)	0
(Increase)/Decrease in current financial assets	10	(304)	0	0	0
(Increase)/Decrease in non-current financial assets	10	670	0	1,048	0
Change in Capital		0	0	0	0
Dividend distribution	18	(95,347)	(50,890)	(47,326)	(47,326)
D - TOTAL CASH FLOW FROM FINANCING ACTIVITIES		(46,094)		(77,644)	
E - Total cash flow (B+C+D)		32,528		58,116	
F - Exchange rate differences on cash		(64)		(446)	
G - CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+E+F) (**)	16	264,275		231,811	

value in thousands of Euro

(*) Cash and cash equivalents at the beginning of the year include 804 thousands of euro of the liquidity of Sicta Consortium in liquidation, reclassified as part of the activities held for disposal.

(**) Cash and cash equivalents at the end of the year include 950 thousands of euro of the liquidity of Sicta Consortium in liquidation, reclassified as part of the activities held for disposal.



NOTES OF THE ENAV GROUP

1. General information

Enav S.p.A. (hereinafter also the "Parent Company"), was established in 2001 following the conversion, under Law No. 665/1996 of the "Ente Pubblico Economico denominato Ente Nazionale di Assistenza al Volo" (the National Agency for Flight Assistance), a public undertaking, that was formerly known as the "Azienda Autonoma di Assistenza al Volo per il Traffico Aereo Generale" (A.A.A.V.T.A.G.) (Autonomous Company providing Flight Assistance for General Traffic) and has its registered office in Rome, 716 via Salaria and other secondary offices and operating facilities located throughout Italy.

From 26 July 2016, Enav shares were listed on the Mercato Telematico Azionario (MTA) organised and managed by Borsa Italiana S.p.A. and, at 31 December 2016 the company was owned 53.373% by the Ministry of Economy and Finance (MEF) and 46.627% by institutional and individual shareholders. On 30 October 2017, the MEF granted 524,790 free ordinary shares to the assignees of the Initial Public Offering who maintained full ownership of the shares for twelve months without interruption. At 31 December 2017, therefore, Enav was owned 53.28% by the MEF and 46.72% by institutional and individual shareholders.

The activity of the Enav Group consists of the services offered by the Parent Company in air traffic control and management and in other essential services for air navigation in Italian skies and at the national civil airports it is responsible for, in the technical management and maintenance of air traffic control equipment and systems, and in commercial development and aeronautical consulting activities. The evaluation and representation methods refer to three operating sectors, namely *flight assistance services*, *maintenance services* and the remaining sector defined as *other sectors*.

The Consolidated Financial Statements for the Group for the year ended 31 December 2017 includes the Financial Statements of Enav S.p.A. and its subsidiaries and was approved by the Board of Directors on 12 March 2018 which authorised its disclosure. These financial statements have undergone a statutory audit by EY S.p.A. which was appointed for the nine-year period 2016-2024 by the Shareholders' Meeting on 29 April 2016.

2. Form and content of the Consolidated Financial Statements

The Consolidated Financial Statements of the Enav Group at 31 December 2017 were 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 through (EC) Regulation No. 1606/2002 of 19 July 2002 as well as pursuant to Legislative Decree No. 38 of 28 February 2005 which governed the application of the IFRS under the scope of the Italian legislative body.

IFRS refers to all the International Financial Reporting Standards, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC),

previously known as the Standing Interpretations Committee (SIC), endorsed by the European Union and contained in the related UE Regulations published up to 12 March 2018, the date on which the Enav S.p.A. Board of Directors approved the Consolidated Financial Statements.

The accounting standards described below reflect the full operation of the Enav Group, in the foreseeable future, being applied in the assumption of business continuity and conform to those applied in the preparation of the Consolidated Financial Statements for the previous year.

The Consolidated Financial Statements were prepared and presented in euros, which is the reporting currency of the Enav Group. All the amounts in the tables in the notes and comments below are expressed in thousands of euros, unless stated otherwise.

The financial statements used and classification criteria adopted by the Enav Group are listed below under the scope of the options in IAS 1 *Presentation of Financial Statements* and in conformity with the provisions of Consob Resolution No. 15519 of 27 July 2006 with regard to the amount of positions or related-party transactions in the financial statements and, where applicable, the representation in the consolidated income statement of income and expense from one-off significant transactions or events that are not repeated frequently in regular operations. In 2017 there were not atypical or significant transactions that needed to be reported separately. The following financial statements were used:

- *consolidated statement of financial position* prepared by classifying assets and liabilities in according to current and non-current, with specific separation, if present, of assets classified as held for sale and the liabilities included in a group classified as held for sale or for distribution to shareholders. Current assets, which include cash and cash equivalents, are those intended to be realised, sold or consumed in the normal operating cycle of the company or in the 12 months after the year-end. Current liabilities are those which are expected to be extinguished in the normal operating cycle of the Group or in the 12 months after the year-end.
- *consolidated income statement* prepared by classifying operating costs by their nature;
- *consolidated statement of other comprehensive income* which, in addition to the result for the year taken from the consolidated income statement, includes the other changes in consolidated shareholders' equity items separated into the components which will later be reclassified to the income statement and those, which on the other hand, will not;
- *consolidated statement of changes in shareholders' equity*;
- *consolidated statement of cash flows* prepared by presenting the financial flows from operations according to the indirect method and by presenting net financial flows generated from operating, investment and financing activities.

The consolidated financial statements were prepared on the historic cost basis with the exception of the financial statement items where the fair value principle must be applied.

Each item of the consolidated statements of financial position was compared with the corresponding figure for the previous year.

3. Scope and basis of consolidation

In addition to the Parent Company, the consolidated financial statements include the companies over which the latter exercises control, directly or indirectly, through its subsidiaries, starting from the date of acquisition and until the date this control ceases, in accordance with IFRS 10.

Control is obtained when the Group is exposed or is entitled to variable returns, resulting from its relation with the entity invested in and, at the same time, it has the capacity to affect these returns by exercising its power over this entity.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the entity that is the subject of investment (or it owns valid rights which give it the current capacity to manage the significant assets of the entity that is the subject of the investment);
- exposure or entitlement to variable returns resulting from the relationship with the entity that is the subject of the investment;
- the capacity to exercise its power over the entity that is the subject of the investment that would affect the amount of returns.

Generally speaking, it is assumed that the majority of voting rights involves control. In support of this assumption, when the Group owns less than the majority of voting rights or similar rights, the Group considers all the facts and relevant circumstances to establish whether it controls the entity that is the subject of investment, including:

- contractual agreements with other holders of voting rights;
- rights from contractual agreements;
- Group voting rights;
- Group potential voting rights;
- a combination of the previous facts and circumstances.

The Group reassesses whether or not it has control over an investee and whether the facts and circumstances indicate that changes may have taken place in one or more of the three significant elements for the purpose of defining control.

The list of companies included in the scope of consolidation, which has not undergone changes compared with the previous year, with the share capital values expressed in thousands of euros, is given below:

Name	Office	Activities carried out	Currency	Consolidation Method	Share Capital	% of participation direct	% of participation of the group
<i>Subsidiaries:</i>							
Techno Sky Srl	Rome	Services	Euro	Integral	1,600	100%	100%
Enav Asia Pacific	Kuala Lumpur	Services	Malaysian Ringgits	Integral	127	100%	100%
SICTA Consortium in liquidation	Naples	Services	Euro	Integral	1,033	60%	100%
Enav North Atlantic	Miami	Services	United States dollars	Integral	44,974	100%	100%

The Financial Statements of the subsidiaries are prepared with reference to 31 December 2017, the reference date of the Consolidated Financial Statements, specially drawn up and approved by the administrative bodies of the individual entities, appropriately adjusted, where necessary, so that they are standardised with the accounting standards applied by the Enav Group.

The subsidiaries, included in the above-mentioned scope of consolidation, are consolidated using the full consolidation method, in conformity with the following methods:

- the assets and liabilities, income and expenses of the fully consolidated entities are consolidated on a line by line basis in the consolidated financial statements;
- the book value of the equity investments is eliminated in view of the corresponding fraction of the shareholders' equity of related undertakings attributing the individual elements of the assets or liabilities their current value at the date of the acquisition of control;
- as the profits and losses of the Group not yet realised come from transactions between actual Group companies, they are eliminated, as well as reciprocal debt and credit relations and costs and revenues;
- the consolidation adjustments take into account the deferred tax effect.

Translation of financial statements of foreign companies

The financial statements of subsidiaries are prepared using the currency of the primary economic environment in which they operate. For the purpose of the consolidated financial statements, the financial statements of each foreign company is translated into euros, which is the Group's reporting currency, according to the following rules:

- the assets and liabilities are converted using the exchange rates at the financial statements reference date;
- the costs and revenues are converted at the average exchange rate for the year and the result is deemed a reliable approximation of the result from the application of the exchange rates in force on the date of each transaction;
- the *translation reserve*, included under the consolidated shareholders' equity items, includes both the exchange rate differences generated by the conversion of the economic quantities at a different rate from the closing one and from those generated by the translation of the opening shareholders' equity

at a different exchange rate from the closing one for the reporting period. This reserve is transferred to the Income Statement at the time of disposal of the investment.

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

	Average exchange rate for the year		Exchange rate at 31 December	
	2017	2016	2017	2016
Malaysian Ringgits	4.8501	4.5842	4.8536	4.7287
United States dollars	1.1293	1.1066	1.1993	1.0541

Business combinations

The business combination by virtue of which control of an entity is gained are reported in accordance with the provisions in IFRS 3 *Business combinations*, in compliance with the acquisition method. The acquisition cost, namely the consideration transferred, is represented by the fair value at the acquisition date of the assets sold, the liabilities incurred or taken on, as well as the capital instruments issued by the purchaser. The acquisition cost includes the fair value of any assets and liabilities for potential considerations. The costs directly attributable to the acquisition are reported in the income statement.

The acquisition cost is allocated reporting the assets, liabilities and contingent liabilities which can be identified at the fair values at the acquisition date and the amount of any minority interest, in relation to the net value of the amounts of the assets and liabilities that can be identified during the acquisition at fair value, and is reported as goodwill or, if it is negative, it is reported in the income statement. The value of minority interests is calculated in proportion to the shares of investment held by third-parties in the net assets that can be identified in the acquisition, or at their fair value at the acquisition date.

If the business combination takes place in several phases, the investments held previously will be remeasured at fair value and any (positive or negative) difference reported in the income statement.

Any contingent consideration is recognised at the fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration, classified as a financial instrument pursuant to IAS 39, are recognised in the income statement or in other comprehensive income statement. Contingent considerations classified as capital instruments are not remeasured and they are reported directly under Shareholders' equity.

If the fair values of the assets, liabilities and contingent liabilities only occur temporarily, the business combination is recognised using these temporary values. Any adjustments, resulting from the completion of the valuation process, are reported within 12 months of the acquisition date, recalculating the comparative data.

The goodwill that emerges from the acquisition of subsidiaries, represents the excess of the consideration paid, at the fair value on the acquisition date, compared with the net value of the assets and liabilities that can be identified in the actual acquisition at fair value. After the initial recognition, the goodwill is not subject to amortisation and depreciation, but is subjected to recoverability testing at least once a year. For impairment testing purposes, the goodwill acquired under the scope of a business combination is allocated, from the acquisition date, to each cash generating unit or CGU of the Group in which benefits are expected from the combination synergies, irrespective of the fact that other assets or liabilities of the entity acquired have been allocated to these units.

A CGU is the smallest group of assets that generates mainly independent cash flows. In the process of identifying the above-mentioned CGUs, management has taken into account the specific nature of the activity and the business it belongs to (business areas, legislative framework, etc.) checking that the incoming cash flows from a group of assets is strictly independent and broadly autonomous from the ones coming from other assets (or groups of assets). Additionally, the assets included in each CGU were also identified on the basis of the methods through which management monitors and manages them under the scope of its business model.

If goodwill was allocated to a cash generating unit and the entity divests some of the assets of this unit, the goodwill associated with the asset divested is included in the book value of the asset when the gain or loss from the divestment is calculated. The goodwill associated with the divested asset is calculated on the basis of the values relating to the divested asset and the part kept in the cash generating unit.

Conversion of entries in foreign currencies

Transactions in currencies other than the Group's reporting currency are recognised at the exchange rate at the date of the transaction. At the end of the year the monetary assets and liabilities denominated in currencies other than the euro are adjusted at the exchange rate at the year-end and the related exchange rate gains and losses are allocated to the Consolidated Income Statement.

4. Accounting standards

The most important accounting standards and valuation criteria applied in the preparation of the consolidated financial statements are described below.

Tangible assets

Tangible assets are recorded at cost, net of accumulated depreciation and any impairment losses. The cost includes directly attributable ancillary costs necessary for the commissioning of the asset for the use for which it was acquired. During important revision or maintenance, the cost is included in the book value of the equipment or machinery, where the recognition criterion is satisfied. All other repair and maintenance

costs are recognised in the income statement when incurred. In any event, the costs incurred after the acquisition are recognised as an increase in the book value of the item referred to, if it is likely that the future benefits associated with the cost accrue to the Group and the cost of the item can be reliably calculated.

The depreciation is calculated at constant rates, from the time the asset is available and ready for use, depending on the estimated useful life subject to annual re-examination. Any changes in the useful life, if necessary, will be made and applied prospectively. The depreciation takes into account any residual value of the assets. When the asset subject to depreciation is composed of elements that can be identified separately, whose useful life differs significantly from that of the other parts that the asset is composed of, the depreciation is carried out separately for each of these parts, applying the component approach method.

The estimated useful life of the main classes of tangible assets is as follows:

Type	Description	useful life (years)
Buildings	Buildings	25
	Extraordinary maintenance of buildings	25
	Light constructions	10
Plants and machinery	Radio systems	10
	Recording systems	7
	Synchronisation systems and control centers	10
	Manual and electromechanical power plants	7
	Power plants and electrical systems	10
	Radio links, AF and amplification equipment	10
	Power systems	11
Industrial and commercial equipment	Signalling equipment and runway equipment	10
	Equipment and small tools	7
Other assets	Electronic machines and telephone systems	7
	Furniture and office equipment	10
	Data processing equipment including computers	5
	Cars, motorcycles and similar items	4
	Business aircraft	15
	Aircraft equipment and flight inspection systems	10

The book value of tangible assets is checked to detect any impairment losses, if events or changes in circumstances indicate that the book value may not be recovered. If there is an indication of this type and, if the book value exceeds the recoverable value, the assets are written-down and recorded at their recoverable value. The recoverable value of the tangible assets is represented by the greater of the fair value excluding sales costs and the value in use.

For an asset that does not generate broadly independent cash flows, the realisation value is calculated in relation to the cash generating unit to which this asset belongs. The impairment losses are recorded in the

income statement under the item write-downs and losses. These impairments are reinstated if the reasons that generated them disappear, within the limits of the net book value that the asset in question would have had if the write-down had not been made and if the depreciation had taken place.

At the time of the sale or when the future economic benefits anticipated from the use of an asset do not exist, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sale value and the book value) is recognised in the income statement in the year of the above-mentioned derecognition.

Intangible assets

The intangible assets are made up of non-monetary elements, identifiable and without physical substance, which can be controlled and are designed to generate future economic benefits. These elements are recognised at purchase cost or production cost, including the directly attributable ancillary costs necessary to make the assets available for use, excluding accumulated amortisation (with the exception of intangible assets with an indefinite useful life) and any impairment. Intangible assets acquired through business combination operations such as goodwill are recorded at the fair value defined at the acquisition date, if this value can be calculated reliably. Intangible assets produced internally are not capitalised and are recognised in the Income Statement in the year in which they are incurred.

Amortisation starts at the time the asset is available for use and is systematically shared in relation to the residual possibility of its use.

The useful life of intangible assets is valued as definite or indefinite.

Intangible assets with a definite useful life are amortised at constant rates throughout their estimated useful life and are subjected to impairment tests if there are indications of possible impairment. The residual useful life is re-examined at the end of each year or more frequently if necessary. Changes in the expected useful life or in the methods through which future economic benefits related to the intangible assets are achieved by the Group are recognised changing the period and/or amortisation and depreciation method and they are dealt with as changes in the accounting estimates.

The gain or losses from the sale of an intangible asset are measured as the difference between the net sales revenue and the book value of the asset and they are recognised in the income statement at the time of the sale.

Intangible assets with an indefinite useful life are not subjected to systematic amortisation but rather to a valuation conducted at least once a year aimed at identifying any impairment losses (impairment test), both at an individual level and at the level of the cash generating unit. Any change from an indefinite useful life to a definite useful life is applied on a forward-looking basis.

The Group does not record assets with an indefinite useful life with the exception of Goodwill resulting from a business combination operation.

Inventories

Inventories, represented essentially by some of the spare parts relating to air traffic control systems and equipment, are recorded at the lower out of the cost and net realisation value. The cost is calculated based on the weighted average cost formula, which includes related ancillary costs. If these inventories can no longer be used because they are obsolete, they are written-down through allocation to the dedicated allowance for inventory losses directly adjusting the value of the asset.

Investments in other companies and financial assets available for sale

Investments in other companies, which represent capital instruments that do not have a market price listed on an active market and whose fair value cannot be reliably measured, are valued at cost. This cost is adjusted if there is impairment, measured as the difference between the book value of the financial asset and the current value of future cash flows estimated and discounted at the current market return rate for a similar financial asset. Restoration is not permitted for this impairment.

Financial assets

Financial assets are initially recorded at their fair value, possibly adjusted for transaction costs and later valued using the amortised cost method using the effective interest rate method, adjusted in the case of lasting impairment.

These impairments are calculated as the difference between the book value and the current value of future cash flows discounted at the effective original interest rate.

If the due date of trade receivables and other current assets do not come under normal business terms and do not produce interest, an analytical discounting process founded on assumptions and estimates is applied. Trade receivables, whose due date comes under normal business terms, are not discounted. Trade receivables and other receivables are included in current assets, with the exception of those due in more than twelve months in relation to the financial statements date, which are classified as non-current assets.

The book value of trade receivables is reduced through an allocation to the bad debts allowance if there are indicators surrounding the partial or total failed recoverability of the book value of the receivable. If the amount of an impairment recorded in the past is reduced and the decrease can be connected to an event that took place after the recognition of the impairment, it is transferred to the income statement.

Financial assets are derecognized from the statement of financial position when the right to receive the cash flows of the instrument is extinguished, or all the risks and benefits relating to the instrument are essentially transferred.

Cash and cash equivalents

Cash and cash equivalents include cash, available bank deposits and other forms of short-term investments not exceeding three months that can readily be converted into cash. At the date of the financial statements, current account overdrafts are classified as financial debt under current liabilities in the consolidated statement of financial position. The elements included in cash and cash equivalents are valued at fair value and changes are recognised in the income statement.

Derivative financial instruments

A derivative is a financial instrument or another contract which has the following characteristics:

- the value changes in relation to changes of an underlying defined parameter, such as the interest rate, the price of a security or a commodity, the exchange rate in foreign currency, the price or rate index, credit ratings or other variables;
- the initial net investment is equal to zero, or less than what would have been required for contracts with a similar response to changes in market conditions;
- it will be adjusted at a future date.

The derivative financial instruments of the Enav Group are represented by forward contracts in currency with the aim of hedging exchange rate risk.

At the signing date of the contract, the derivative financial instruments are recognised at fair value both during the initial reporting and at each subsequent valuation. Derivatives are recorded as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. These derivative instruments are classified as current or non-current depending on their expiry date and the intention of the Group to hold or not to hold these instruments until their expiry date.

Hedging derivative financial instruments, the only type present in the Enav Group, are recorded using the hedge accounting methods if they comply with the following requirements:

- at the start of the hedging the hedge ratio is formally designated and documented, plus the objectives of the risk management and the strategy pursued;
- the hedging is expected to be extremely effective;
- the effectiveness can be reliably measured;
- the hedging is highly effective during the different periods which it is designated for.

If the requirements described above are complied with, with the intention of covering the Group against exposure to the risk of the cash flow variations associated with an asset, liability or highly likely transaction, the cash flow hedge accounting treatment is applied and therefore the portion of the profit or loss on the hedge instrument, relating to the effective part of the hedge, is recognised in the other components of the comprehensive income statement through a specific shareholders' equity reserve known as the cash flow

hedge, while the non-effective part is recognised directly in the income statement for the year under the scope of other revenues and income or other operating costs.

The amounts recognised in the other comprehensive income statement are later transferred to the income statement at the time in which the transaction hedged affects the income statement, for example if there is a sale or a write-down.

If the hedging instrument is sold, reaches maturity, is cancelled or exercised without replacement, or it no longer qualifies as effective hedging for the risk against which the transaction was initiated, the cash flow hedge share of reserves relating to it is maintained until the underlying contract is revealed.

When an expected transaction is no longer deemed likely, the profits or losses recognised at shareholders' equity are immediately released to the income statement.

With reference to the calculation of fair value, the Enav Group operates in compliance with the requirements defined by IFRS 13, each time this measurement is required by international accounting standards, such as the recognition and/or valuation criterion or additional information with regard to specific assets and liabilities. The fair value expresses the price that will be received from the sale of an asset or which will be paid for the transfer of a liability under the scope of a routine transaction implemented between market operators, at the valuation date (*exit price*). The fair value of instruments listed on public markets is calculated with reference to bid prices at the year-end.

The fair value of unlisted instruments is measured with reference to financial valuation techniques.

Financial assets and liabilities valued at fair value are classified in the three hierarchical levels described below, based on the importance of the information used in calculating this fair value. In particular:

- Level 1: fair value calculated with reference to listed prices (not changed) on active markets for identical financial instruments which the Group can access at the valuation date;
- Level 2: fair value calculated on the basis of various inputs from listed prices at level 1 based on variables that can be observed directly or indirectly on active markets;
- Level 3: fair value calculated using valuation techniques with reference to variables that cannot be observed.

For assets and liabilities measured at fair value on a recurring basis, the Group determines whether there has been a transfer between the hierarchical levels indicated above, identifying the level at the end of each accounting period at which the significant input of the lowest hierarchical level used for the valuation is classified.

Non-current assets held for sale

Non-current assets (or a disposal group) are classified as held for sale if the book value will mainly be recovered through sales or liquidation operations rather than through continuous use.

This condition is considered as having been complied with when the sale or liquidation is highly likely and the non-current asset (or disposal group) is held for immediate sale in its current conditions to be completed within 12 months of the classification date as a non-current asset held for sale.

Non-current assets held for sale, current assets and non-current assets related to disposal groups and liabilities directly associated are recognised in the statement of financial position separately from other assets and liabilities.

Immediately before the classification as held for sale, the assets and liabilities coming under a disposal group are valued according to the accounting standards that apply to it. Later on, these net assets are not subject to amortisation and depreciation and they are valued at the lower of the book value and the fair value.

Financial liabilities

Financial liabilities, which include loans, bonds and other financial liabilities were initially recorded at fair value, excluding directly attributable transaction costs, and were later valued at amortised cost applying the effective interest rate criterion, excluding principal repayments already made.

Payables and other financial liabilities are classified as current liabilities except when the expiry of the contract is more than twelve months from the date of the financial statements when they are classified as non-current liabilities.

Financial liabilities are derecognized when they are extinguished, or when the obligation specified in the contract is discharged.

Employee benefits

Employee benefits are all types of remuneration delivered by the Group in exchange for work carried out by employees.

Short-term employee benefits are represented by wages, salaries, social security contributions, compensation in lieu of leave and incentives paid in the form of a bonus payable in the twelve months after the closing date of the financial statements. These benefits are accounted as components of personnel costs in the period in which the work was provided.

Benefits following the termination of the employment relationship are divided into two types: defined plan benefits and defined contribution plans. Defined benefit plans are plans where the employer is committed to pay the necessary contributions sufficient to guarantee a fixed future pension provision for employees, through the assumption of an actuarial risk pertaining to the employer. Since in defined benefit plans the amount of the benefit to be supplied can only be quantified after the termination of the employment relationship, the related economic and financial effects are recognised on the basis of actuarial calculations in conformity with IAS 19. Defined contribution plans are plans whereby the employer makes fixed

contributions into a fund. The obligation of the employer is extinguished therefore through the payment of contributions to the fund and the actuarial risk falls on the employee. In defined contribution plans, the contribution costs are allocated to the income statement when they are incurred based on the related nominal value.

Employee severance indemnity (TFR) due to employees pursuant to Article 2120 of the Civil Code, accrued up to 31 December 2006 comes under defined benefit plans because the portions accrued with effect from 1 January 2007, in conformity with Law 296 of 27 December 2006, on the basis of the implicit and explicit choices made by employees, were allocated to the supplementary pension funds or to the float established at the INPS. The liability is projected to the future using the Projected Unit Credit Method to calculate the probable amount to be paid at the time of the termination of the employment and it is then actualised to take into account the time that will elapse before the effective payment. The valuation of the liability recorded in the financial statements is based on the conclusion reached by actuaries outside of the Group. The calculation takes into account the TFR accrued for work services already provided and is based on actuarial theories which mainly involve: demographic bases (such as employee turnover and mortality) and financial ones (such as the inflation rate and discount rate with the maturity consistent with the one anticipated for the obligation). The value of the liability recorded in the financial statements is, therefore, in line with the one from the actuarial valuation and the actuarial profits and losses resulting from the calculation are allocated directly to the shareholders' equity in the statement relating to the other comprehensive income statement items in the period in which they arise taking into account the related deferred tax effect.

The severance indemnity due to employees pursuant to Article 2120 of the Civil Code comes under defined contribution plans, limited to the portions of TFR which have accrued from 1 January 2007 and mandatorily paid to a supplementary Pension Fund, or into the dedicated float at the INPS. These plans are managed by third-party fund managers, in relation to which there are no obligations pursuant to the company and for which the Group makes contributions with the contribution costs allocated to the income statement when they are incurred on the basis of the related nominal value.

Benefits due to employees for the termination of the employment relationship are recognised as liabilities when the company decides to end the employment relationship with an employee or a group of employees before the normal pension age, or in cases in which the employee or a group of employees decides to accept an offer of benefits in exchange for the termination of the employment relationship. The benefits due for the termination of an employment relationship are recognised immediately in personnel costs.

Long-term share-based incentive plan

Long-term share-based incentive plans, in conformity with IFRS 2, represent a remuneration element for employees which takes place through the payment of capital instruments (equity-settled share-based

payment transaction). The cost of this plan is represented by the fair value of these instruments calculated at the grant date, and it is recognised under Personnel costs throughout the period between the grant date and the vesting date, with a matching entry known as the stock grant reserve under shareholders' equity. The overall estimated amount is shared throughout the vesting period and the personnel costs and corresponding increase in shareholders' equity is periodically recognised through a share of the estimated amount.

The estimated amount of the cost should be revised during the vesting period if subsequent information indicates that the number of instruments that mature at the end of the vesting period is different from original estimates. The change in the estimate will, if necessary, be recorded to adjust the Stock grant reserve item with the matching entry in Personnel costs.

Provisions for risks and charges

The provision for risks and charges is recorded following losses and expenses of a certain kind, which definitely or probably exist, where the amount and/or occurrence date are unknown. Recording only takes place when there is a current obligation (legal or implicit) resulting from a past event, when it is likely that resources will leave to meet this obligation and when it is possible to reliably estimate the amount.

When the associated financial effect at the time is significant and the payment dates of the obligations can be reliably estimated, the funds are discounted using a discount rate before the deduction of tax which, where appropriate, reflects the current market valuation of the cost of cash in relation to the time and, if applicable, to the specific risks attributable to the obligation. When the allocation to the provision for risks and charges is discounted, the periodic adjustment of the current value associated with the time factor is reflected in the income statement as a financial expense. Where it is assumed that all the expenses, or some of them, required to extinguish an obligation will be paid by third-parties, this indemnity, if virtually certain, is recognised as a separate asset.

Changes in the estimates for allocations to the provisions are reflected in the income statement for the year in which the change takes place and they lead to an increase in liabilities. Downward changes in the estimates are recognised in matching entries under liabilities up to the book value and the excess is recognised in the income statement under the same item they refer to.

The amounts recorded in the provision for risks and charges are separated into the current and non-current portions based on the liability payment/extinguishment forecast.

The risks for which the occurrence of a liability is only possible are indicated in the dedicated information section on contingent liabilities and no provision is made for them.

Contributions

Operating grants are recognised in the year in which the right to receive them emerges with reasonable certainty, irrespective of the collection date.

Public capital grants are recognised if there is a formal award decision by the providing entity and only if, based on information available at the year-end, there is reasonable certainty that the project receiving the grant will effectively be realised and that said grants will be received. Public capital grants are recorded in a dedicated item under current and non-current liabilities, depending on the repayment deadlines, and they are allocated to the income statement as income at constant rates calculated with reference to the useful life of the asset to which the grant refers directly, in this way guaranteeing a correlation with the amortisation and depreciation relating to said assets.

Revenues

Revenues are recorded at the fair value of the consideration received or which may be received net of discounts and allowances to the extent in which it is likely that the economic benefits are received by the Group and the related amount can be reliably calculated.

Balances

At an international level, the countries that belong to Eurocontrol used an en-route charging system until 31 December 2011 known as cost recovery. This system is based on the concept that the amount of revenues was commensurate with the value of the costs incurred for en-route air navigation control services. By virtue of this principle, the charges remained at the value that made it hypothetically possible to achieve economic break-even. At the end of the year, if revenues are higher than costs a negative balance (over recovery) would be generated, which would give rise to an adjustment in the income statement for the greater revenues and the recording of a balance payable. If, on the other hand, revenues are lower than the costs incurred, a greater revenue would be recorded in the income statement and a positive balance receivable recorded (under recovery). In compliance with the cost recovery principle, the balance therefore represented the result of the correction mechanism used in order to adjust the amount of revenues to the effective extent of the costs incurred that can be charged. The effects of this mechanism were included for charging purposes starting from the second year after the reference year and allocated to the income statement with the opposite sign to the recognition one.

From 1 January 2015 this cost recovery mechanism applied exclusively to the third terminal charging zone. With effect from 2012 and following the entry into force of the system for the provision of en-route air navigation services, in accordance with EU regulations on the European Single Sky, a new management system was introduced based on the measurement and optimisation of operating and economic

performances, with the consequent abandonment of the cost recovery system. The instrument for the implementation of the performance scheme is the National Performance Plan, approved for 2015-2019 (the second reference period), in which the actions and targets to be reached in the reference period are outlined. These efficiency targets involve the introduction of risk elements that the providers, and therefore Enav, are responsible for, both for traffic and costs. Specifically, the traffic risk mechanism involves the sharing of traffic risk between providers and airspace users, where positive and negative changes, of up to 2%, in the actual traffic compared with the planned traffic are totally the responsibility of providers, while changes of between 2% and 10% are shared to the extent of 70%, as the responsibility of the airline companies and 30% as the responsibility of the providers. The cost recovery methodology applies for changes of more than 10%. According to the rules described previously, any positive or negative difference with regard to traffic risk generates an adjustment to en-route revenues using the item Balance charge adjustment for the year.

With regard to costs risk, the possibility of transferring in full any differences between what was planned and the actual figures at the end of the year was eliminated. These changes, both negative and positive, remain the responsibility of providers in the financial statements.

Since 2015 this EU regulation also applies to terminal services, coming under the performance plan through different methods depending on the charging zone. In effect, the terminal charges are divided into three zones:

- zone 1 which includes airports with a greater number of movements than 225,000 per year, subject to the costs risk and traffic risk in the same way as en-route services;
- zone 2 which includes airports with a number of movements between 225,000 and 70,000 per year to which only a costs risk applies;
- zone 3 which includes airports with a number of movements below 70,000 per year excluded from the EU performance plan and to which the cost recovery mechanism applies.

According to the rules described previously, any positive or negative difference generates an adjustment to terminal revenues using the item Balance charge adjustment for the year.

The item Balance charge adjustment for the year, both with reference to terminal services and en-route services, makes it possible to represent the extent of the revenues corresponding to the performance effectively delivered during the reference period which, as a result of the specific charging mechanisms, can only be adjusted afterwards. In other terms, the adjustments or supplements to the revenues make it possible to record the revenues in the reference period at the fair value of the consideration obtained or which can be obtained following the services provided.

The item Balance charge adjustment for the year will only be allocated to the charges two years later while, in the year ending, the credit/debit balance recorded in at least two previous years is transferred to the income statement through the item Balance Utilisation and included in the charge for the year.

Taking into account that the recovery of the positive and negative balances is deferred for a period of time and takes place based on defined recovery plans in the charging area, in accordance with IAS 18, the Parent Company measures said revenues at fair value, discounting them at average interest rate at which financial resources are recovered on the non-regulated market. The adjustment is made to reduce the balance receivable/payable item to which it refers and to reduce the revenues for the year. The portion of the interest income accrued in the period is transferred to the income statement in subsequent years.

If the charging balance recovery plans are changed, the Group adjusts the balance receivable/payable value in order to reflect the effective and recalculated estimated cash flows. The book value is therefore recalculated by computing the current value of the future cash flows recalculated by applying the original interest rate; the difference that is generated, in addition to adjusting the balance receivable/payable value, is recognised in the income statement under components of a financial nature. As it involves a revision of the estimates after obtaining new and more complete information, the change in balance recovery plans does not involve the adjustment of the balances relating to previous financial statements but it does involve the prospective application of changes.

Dividends

The dividends received by investments in other companies not consolidated using the full consolidation method are recognised in the income statement at the time at which the unconditional right of shareholders to receive the payment that normally corresponds to the shareholders' meeting for the distribution of dividends is established.

Costs

Costs are recorded when they involve goods and services sold or consumed in the year or through systematic distribution or when their future utilisation cannot be identified.

Costs are recorded in the income statement at the same time as the decrease in the economic benefits associated with the reduction of an asset or the increase of a liability if this decrease can be reliably calculated and measured. Costs are also recorded at the same time as the recognition of the related revenues in order to guarantee correlation between the positive and negative elements of income.

Financial income and expenses

Financial income and expenses are recognised on the basis of interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate and, where applicable, the legal interest rate. The effective interest rate is the rate which exactly discounts estimated future payments or collections over the expected life of the financial instrument, or where appropriate a shorter period, at the



net book value of the asset or the liability. Interest income is measured to the extent that it is likely that the economic benefits will be transferred to the Group and the amount can be reliably evaluated.

Income taxes

Current IRES and IRAP taxes are calculated on the basis of the best estimate of the taxable income for the year and in conformity with the tax regulations in force in the countries in which the Group conducts its activities, applying the tax rates in force. The payable for current taxes is recorded in the statement of financial position net of any pre-paid taxes.

Deferred tax assets and liabilities are calculated in connection with all the temporary differences that emerge between the financial values recorded in the financial statements and the corresponding values for tax purposes, applying the tax rate in force at the date on which the temporary difference will be transferred, calculated on the basis of the tax rates set out in the provisions in force or essentially in force at the reference date. Deferred tax assets for all the temporary differences that can be deducted in future years are recognised when their recovery is likely, or if it is expected that sufficient taxable income will be realised in the future to recover the assets. Deferred tax liabilities are recognised for all future taxable temporary differences unless this liability results from: i) the initial recognition of goodwill; ii) the initial recognition of an asset or a liability in a transaction that does not represent a business combination and which at the time of the transaction does not affect either the accounting profit or the taxable income (tax loss).

Current taxes, deferred tax assets and liabilities for deferred taxes are allocated to the income statement, with the exception of those relating to items directly debited or credited under other comprehensive income statement components or shareholders' equity elements. In such cases the tax effect is directly attributable to the other comprehensive income statement components or the shareholders' equity.

Deferred tax assets and liabilities, applied by the same tax authority, are offset if there is a legally exercisable right to offset the amounts of current tax assets with current tax liabilities generated at the time of their repayment.

Deferred tax assets and liabilities are classified, respectively, under non-current assets and liabilities.

Duties and taxes not related to income are included under the income statement item defined as other operating costs.

Related parties

Related parties are identified by the Enav Group in accordance with IAS 24. Generally speaking, related parties mainly refer to parties that share the same controlling entity with the Parent Company, companies that directly or indirectly exercise control, are controlled, or are subject to the joint control of the Parent Company and those in which the latter holds a stake whereby it can exercise considerable influence. The

definition of related parties also includes those entities that manage post-pension benefit plans for employees of the Parent Company or related companies, as well as directors and their immediate family, effective members of the Board of Statutory Auditors and their immediate family, executives with strategic responsibilities and their immediate family, of the Parent Company and companies directly and/or indirectly controlled.

Related parties within the Enav Group refers to entities controlled by the Parent Company and by Group companies or which feature connections with the entity preparing the financial statements. Related parties outside of the Enav Group refers to the supervising Ministry, namely the Ministry of Infrastructure and Transport (MIT) and the controlling Ministry, namely the Ministry of Economy and Finance (MEF), the entities under control, including joint control, the MEF and associated companies. Related parties also include Group executives with strategic responsibilities and pension funds (Prevaer).

For a detailed analysis of the above-mentioned related-party transactions, please refer to Note No. 33 of the Consolidated Financial Statements.

Operating segments

In accordance with IFRS 8, an operating segment is a component of an entity: i) which undertakes entrepreneurial activities generating revenues and costs, ii) whose operating results are reviewed periodically at the highest operational decision-making level of the entity for the purpose of taking decisions with regard to the resources to allocate to the segment, iii) for which separate financial statement information is available.

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 (air navigation services and maintenance services) coinciding with the cash generating units (CGU). There are also plans for a third operating segment of a residual nature which includes the operations that refer to minority activities, which do not come under the two operating segments mentioned above and are subject to monitoring.

The information for the operating segments for 2017, with the comparative data for 2016, are provided in Note 32 *Information for operating segments*.

Basic and diluted earnings/(losses) per share

In accordance with IAS 33, basic earnings per share are calculated as the ratio between the profit or the loss attributable to the owners of ordinary capital instruments of the Parent Company and the weighted average of the outstanding ordinary shares during the year.



The basic earnings coincide with the diluted earnings considering that at the date the financial statements are prepared there are no potential ordinary shares, or shares that have not yet given rise to the issue of equity securities albeit in the presence of legal conditions with potential dilutive effects.

5. Use of estimates and management judgements

The preparation of the Consolidated Financial Statements, in accordance with IAS/IFRS international accounting standards, requires the Directors to make accounting estimates based on complex and/or subjective judgements, evaluations, estimates based on historic experience and theories considered to be reasonable and realistic depending on related circumstances and on the basis of information known at the time of the estimate. The application of these estimates and assumptions influences the book value of the assets and liabilities and the information on contingent assets and liabilities at the date of the financial statements, as well as the amount of revenues and costs in the reference period. The actual results could differ from the estimated ones as a result of the uncertainty featured in the assumptions and conditions on which the estimates are based. The estimates and assumptions are revised periodically and the effects of each change are reflected in accounting terms in the period in which the revision of the estimate takes place, if this revision only affects the current period, or also in subsequent periods if the revision affects the current period and future periods.

In the case of future changes in estimation processes, information will be given about the methodological change with effect from the year in which the above-mentioned change could be revealed in the presence of further elements and/or factors which could intervene. These changes to the conditions underlying the assumptions and judgements made could create a significant impact on the consolidated data.

For the purpose of a better understanding of the financial statements, the main financial statement items or accounting situations which could be affected by a significant component of management's judgement are given below highlighting the main assumptions adopted in the evaluation process, in compliance with international accounting standards.

Reduction in value and recoverability of financial assets

For every reference date of the financial statements the Group assesses whether there is objective evidence that a financial asset has suffered a reduction in value. With reference to the evaluation surrounding the objective evidence of losses through a reduction in value to the equity investment in Aireon LLC, the analysis conducted by management requires the evaluation of a series of internal and external inputs such as, for example: the examination of the annual budget, the examination of the long-term economic-financial plan, the analysis of the main market indicators.

The evaluation of the current value of cash flows requires the extensive use by company management of significant estimates and assumptions. It is believed that the estimates of this value are recoverable and

reasonable; however, possible changes in the estimation factors on which the calculation of the above-mentioned value is based could produce different valuations.

The plan used for conducting the analysis with regard to the current value of cash flows associated with the equity investment in Aireon LLC, is the 2018-2033 economic-financial plan (the "Plan") presented by management to the Shareholders' Meeting held on 8 December 2017. The time horizon in relation to which the flows are projected is consistent with the useful life of the technological asset, the satellite constellation, and this useful life was estimated by the management of Aireon. The Plan, whose time horizon is consistent with the estimated useful life of the technological asset which is the subject of the investment, involves a financial structure with a level of debt that is essentially constant for the entire time horizon servicing the distribution of dividends to shareholders as well as investments connected to the construction of the second constellation during the latter years of the Plan. The (Debt/Equity) weightings for the definition of the financial structure were assumed to be equal to the average observed on the market with regard to the panel of comparable companies.

The check is carried out by calculating the value in use of the equity investment based on the discounted cash flow model. The discounted flows are those relating to the forecast period within the Plan, formulated on the basis of assumptions by Aireon management, while in the years following the explicit period long-term sustainable profitability theories were developed to allow management continuity and the continuation of activities.

In the calculation of the value in use, expected future cash flows are discounted using a discount rate which reflects current market valuations of the cost of cash and the specific risks of the activity. The discount rate used is the Cost of Capital (K_e) equal to 15.46% calculated using the CAPM methodology (Capital Asset Pricing Model).

Information regarding the result of the valuations conducted by the Enav Group are given in paragraph 9, *Investments in other companies*.

Impairment of assets and cash generating units

The impairment of an asset exists if the book value of an asset or a Cash Generating Unit (CGU) is higher than its recoverable value (understood as the larger of the fair value of an asset or a cash generating unit minus sales costs and its value in use). A CGU is the smallest group of assets that generates mainly independent cash flows.

In the process of identifying the above-mentioned CGUs, management has taken into account the specific nature of the activity and the business it belongs to (business areas, legislative framework, etc.) checking that the incoming cash flows from a group of assets is strictly independent and broadly autonomous from the ones coming from other assets (or groups of assets). Additionally, the assets included in each CGU were also identified on the basis of the methods through which management monitors and manages them under the scope of its business model.

The number and scope of CGUs is systematically monitored to take into account any external factors that could influence the capacity to generate independent cash flows by groups of corporate assets or in order to allocate the effects of any new business combination or reorganisation operations by the Group.

Based on the current structure of the Group, management has identified two cash generating units (CGUs).

- Air navigation services: this CGU coincides with the Enav legal entity, the Parent Company Enav, whose core business is providing air traffic control and management services and other essential air navigation services in Italian airspace and in the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and the enhancement of the technology and infrastructure of flight assistance systems;
- Maintenance services: this CGU 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.

Company management conducted an impairment test with regard to the Goodwill resulting from a business combination; this Goodwill was allocated entirely to the Maintenance services CGU, coinciding with the legal entity Techno Sky S.r.l.

Carrying out the impairment test required corporate management to make significant estimates. Any changes involving the assumptions and inputs used could involve significant changes regarding the recoverable value of the CGU.

The discounted cash flows refer to a time horizon of 5 years (2018 – 2022) and are taken from the Economic-financial plan for the same period, pre-approved by the Board of Directors of Techno Sky on 2 March 2018 and sent to the Parent Company for inclusion under the scope of the Group Business Plan. For the explicit period, these flows are formulated based on hypothetical assumptions associated with business development expectations, while in the years following the explicit period long-term sustainable profitability theories are developed to allow management continuity (growth rates and other factors firmly based on macro economic dynamics). The theories used by corporate management with regard to the estimation of the "normalised" net operating flow are as follows:

- Definition of a NOPAT (Net Operating Profit After Taxes) developed on the basis of the average of the specific 5-year forecast (2018-2022);
- Amortisation and depreciation in line with the maintenance investments for the fixed capital;
- Working capital balance of 0;
- The growth rate of the operating cash flows after the explicit period and in perpetuity, used for calculating the residual value ("g" rate), was estimated as equal to 1.5% in line with 2016.

Specifically, the estimated growth rate (g rate) is affected by the assumptions and evaluations made by corporate management, which take into consideration internal and external information inputs, the latter featuring uncertainty, for example: examination of the annual budget, examination of the long-term economic-financial plan and analysis of main market indicators.

In the calculation of the value in use, expected future cash flows are discounted using a discount rate where the estimate is affected by the valuation and assumptions made by corporate management, and which reflects current market valuations of the cost of cash and the specific risks of the activity. Specifically, the discount rate was constructed according to the following main assumptions: the Free Risk, Country Risk premium and Market Risk premium were calculated on the basis of data that could be observed on the market, the Beta based on an estimate calculated according to a sample of comparable companies and given the characteristics of Techno Sky a full equity financial structure was assumed.

Refer to Note 8 *Intangible assets* for information about the results of the impairment test.

Measurement of fair value of revenues

As described in the *Accounting Standards* section, calculating the revenues for the year plus the balance adjustments, which measure services already provided by the Parent Company, requires corporate management to use estimates and evaluations. These estimates and evaluations draw on the forecast of the recovery times for the amounts associated with the balance in the years following the accrual as well as the choice of the discount rate to use. Specifically, with regard to the measurement of the fair value of the component for the integration and adjustment of the balances, corporate management forecasts the recovery times using future charging plans: if these forecasts undergo changes, the amount relating to the receivable and payable for balances are changed to reflect the new forecasts relating to the associated cash flows.

Determining useful life

The amortisation and depreciation of tangible and intangible assets is recognised at constant rates during the estimated useful life of each asset. The economic useful life is calculated at the time when the assets are acquired and is based on historic experience for similar investments, market conditions and forecasts involving future events that could have an impact on the useful life. The actual economic life, therefore, may differ from the estimated useful life. The Group evaluates technological changes annually in order to update the residual useful life. This update could involve a change in the amortisation period and therefore also the portion of amortisation for the year and future years.

Risk provision

The Group checks the likely liabilities in the risk provision attributable to disputes and litigation with personnel, suppliers, third-parties and, in general, other expenses resulting from obligations undertaken. The calculation of the allocations to the risk provision involves making estimates based on the current knowledge of factors that could change over a period of time, able to general final results that could be

significantly different from those taken into consideration in the preparation of the consolidated financial statements.

Bad debts allowance and allowance for inventory losses

The bad debts allowance and the allowance for inventory losses respectively reflect the estimates associated with the losses on Group receivables and the estimate of spare parts that have become obsolete and can no longer be used on the reference systems. Although the provisions in question are deemed consistent, the use of difference theories or a change in economic conditions could be reflected in changes and, therefore, have an impact on profits.

6. New accounting standards, interpretations and amendments adopted by the Group

In addition to the accounting standards adopted for the preparation of the consolidated financial statements at 31 December 2016, the main changes that took place during 2017 to first adoption international accounting standards in 2017 with effect from 1 January 2017, significant for the Group, as well as the interpretations of and changes to the standards, not yet in force or not yet endorsed by the European Union, which could apply in future to the consolidated financial statements of the Enav Group are described below.

New accounting standards applied from 1 January 2017

The Group adopted the following interpretations of and changes to existing standards with effect from 1 January 2017.

- *Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses* - issued on 19 January 2016 provides clarifications on the methods for measuring deferred tax assets relating to debt instruments measured at fair value. In addition, the amendments clarify the requirements for recording deferred tax assets with regard to unrealised losses, in order to eliminate asymmetry in accounting practices. The above-mentioned amendment to IAS 12 was endorsed on 6 November 2017.

The application of the above-mentioned changes has not had a significant impact on the consolidated financial statements of the Enav Group.

- *Amendments to IAS 7 Disclosure Initiative* - issued on 29 January 2016. The amendments to the above-mentioned principle apply to liabilities and assets resulting from financing activities, defined as liabilities and assets whose cash flows have been or will be classified in the statement of cash flows in the cash flows deriving from financing activities. The amendments require the information about changes to these assets/liabilities to be inserted distinguishing between monetary and non-monetary changes (e.g. changes resulting from obtaining or losing control in subsidiaries or in other businesses, the effect of exchange rate changes and changes in fair value). The IASB suggests providing this

information in a table reconciling the balances for the beginning of the period and those for the end of the period for these assets/liabilities.

The Group illustrated the impacts resulting from the change to the principle, endorsed by the European Union on 6 November 2017, in an explanatory note.

- *Annual Improvements to IFRS standard 2014-2016 Cycle* – issued on 8 December 2016. The document contains formal changes and clarifications of existing principles. More specifically, the following principle was amended: i) *IFRS 12 – Disclosure of interests in other entities*: several amendments have been made to clarify the scope of IFRS 12 in relation to interests in entities under the scope of *IFRS 5 Non-current assets held for sale and discontinued operations*. Specifically, it clarifies that the entities are not exempt from the disclosure obligations required by IFRS 12 if said entities are reclassified under non-current assets held for sale or as discontinued operations.

The Group does not anticipate significant impacts resulting from the application of the amendments made to IFRS 12. The *Annual Improvements to IFRS standard 2014-2016 Cycle*, endorsed by the European Union on 7 February 2018, are applicable, limited to IFRS 12, from 1 January 2017.

New accounting principles, interpretations and amendments effective for periods after 31 December 2017, not adopted early by the Group

Below is a list of the new accounting principles, amendments and interpretations that will be applied by the Group in the years following the year ended 31 December 2017;

- *IFRIC 22 Foreign Currency transactions and advance consideration* – issued on 8 December 2016. The interpretation applies to transactions in foreign currency if a company records a non-monetary asset/liability that originates from the payment or the collection of an advance before the company records the asset, the cost or the income. IFRIC 22 clarifies the identification methods of transaction dates in foreign currency in order to calculate the exchange rate to use at the initial recognition of the asset, cost or income following the derecognition of a non-monetary asset/liability. IFRIC 22 clarifies that, in the application of paragraphs 21-22 of IAS 21, the date to use for the calculation of the exchange rate at the initial recognition of the asset, cost or income is the date on which the company recorded the non-monetary asset/liability associated with the advance. In the presence of multiple payments the company will decide on a date for each payment or collection resulting from financial advances. The above-mentioned interpretation will apply, after endorsement, to all financial years starting from 1 January 2018. Early adoption has also been granted;
- *IFRIC 23 Uncertainty over Income Tax Treatments* – issued on 7 June 2017. The interpretation clarifies the application implications 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 should decide whether to consider each uncertain tax position separately or jointly with others taking into consideration that this approach fits in better with resolving the actual uncertainty also bearing in mind the practice adopted for filing returns to the tax authorities and the examination methods of the latter;
- a company should assume that the tax authorities will examine the documents and all the necessary information relating to the uncertainty for treatment and resolution;
- a company should evaluate the probability of the tax authorities accepting the proposed tax treatment associated with a transaction from the uncertain tax treatment. If the probability of the tax authorities accepting it is high, then the company should calculate the taxes in line with the planned tax treatment. If the probability of them accepting it is low, then the company should reflect the uncertainty in the tax estimate using one of the following methods: i) *most likely amount*; ii) *expected value*. If the tax uncertainty impacts current and deferred taxes, the company should make the best estimate for the purpose of both current and deferred taxes;
- at every accounting closing the company should evaluate whether the events and circumstances on which it based its judgement have changed over the course of time after inception. In the case of changes in events and circumstances, IAS 8 is applicable. In addition, a company should apply IAS 10 to establish whether the change that took place between the reporting date and the approval date of the financial statements is an adjusting or non-adjusting event.

The above-mentioned interpretation will apply, after endorsement, to all financial years starting from 1 January 2019. Early adoption has also been granted.

- *Annual Improvements to IFRS standard 2014-2016 Cycle* – issued on 8 December 2016. The document contains formal changes and clarifications of existing principles. More specifically, several amendments were introduced to the following principles:
 - *IFRS 1 – First time adoption*: changes were made to the application date of some principles applicable to cases of early adoption of IFRS;
 - *IAS 28 - Investments in Associates and Joint Ventures*: an exemption to the application of the equity method was introduced if an equity investment in an associate company or a joint venture is held directly or indirectly by an entity that is either a risk capital investment company, or a mutual fund, an investment fund or similar entities. In such cases the entity can decide the value these investments at the fair value recorded in the operating profit (loss) for the year in compliance with IFRS 9. Additionally, if an entity which is not itself an investment entity has an equity investment in an associate company or joint venture which is an investment entity, when the equity method is applied it can decide to take the fair value measurement applied by this associated investment entity or joint venture to the equity investments in the subsidiaries of the associated investment entity or the joint venture into consideration.

The Group does not anticipate impacts resulting from the application of the amendments made to the above-mentioned principles. The latter, endorsed by the European Union on 7 February 2018, apply from 1 January 2018.

- *Amendments to IFRS 2: Classification and Measurement of Share based Transaction* – issued on 20 June 2016 and awaiting endorsement by the European Union. Specifically, clarifications were introduced for the treatment of vesting conditions and share-based payment transactions regulated by cash. The latter are also subject to vesting conditions subject to the reaching of result growth targets and in the pricing of the stock. Specifically, the vesting conditions, unlike market conditions, do not have to be taken into consideration in the estimation of the fair value at the measurement date. In contrast, the vesting conditions, unlike market conditions, should be taken into consideration in calculating the number of allocations included in the scope of the calculation. In addition the entity should recognise the cost proportionally to the vesting period based on the best estimate of the number of allocations estimated at the measurement date. The estimate can also be revised in subsequent years if additional information indicates a different number of allocations. Market conditions should be taken into consideration to estimate the fair value of cash settled share based payments and in remeasuring the fair value at the end of each reporting period and at the regulation date. The cumulative application of services received corresponds to the cash paid. Recently the new principle introduced several sections that govern cases of share based transactions that involve the application of withholding tax by the employer and payment to the tax authorities in name of and on behalf of employees, which also requires full disclosure.

The Group is evaluating possible impacts associated with the changes of IFRS 2 which will be applicable, after endorsement, from 1 January 2018.

- *Amendments to IAS 28: Investments in Associates and Joint Ventures* – issued on 12 October 2017, applicable, after endorsement, from 1 January 2019. The principle clarifies that an entity applies IFRS 9, rather than the provisions of IAS 28 to interests held in an associate or joint venture to which the equity method is not applied (long-term interest).
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement* – issued on 7 February 2018, applicable, after endorsement, from 1 January 2019. The EFRAG endorsement advice should be available in the first quarter of 2018. The change to IAS 19 addresses the accounting in the presence of a change, reduction or adjustment of a plan (“employee benefit”) during a reporting period. The changes to IAS 19 require the entities to use updated actuarial theories in calculating the service cost and the net interest for reporting periods after the above-mentioned change; in contrast, the change to the principle does not address the accounting of significant market fluctuations if there are no changes to a plan.

- *Annual Improvements to IFRS standard 2015-2017 Cycle* – issued on 12 December 2017. The document contains formal changes and clarifications of existing principles. More specifically, the following principles have been amended:
 - *IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements: Previously held interest in a joint operation*: the changes clarify that a transaction for obtaining 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, also with regard to the remeasurement of the stake held previously in the joint operation. The changes to IFRS 11 clarify that the purchaser should not remeasure the stake held previously under the scope of 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 changes clarified 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 changes clarify that an entity should deal with each loan obtained for the specific qualifying asset in the same way as funds obtained not for a specific asset, if all the necessary activities have essentially been carried out to configure a qualifying asset for use or for sale.

The Group is evaluating the impacts associated with the future application of the cycle of updates. The principle will be applicable, following endorsement, from the years after 1 January 2019.

- *IFRS 9 – Financial Instruments* - issued in its final version on 24 July 2014, replacing the current IAS 39 *Financial Instruments: Recognition and Measurement* superseding all previous versions. The principle applies to financial years from 1 January 2018 and its early adoption is permitted. The final version of IFRS 9 represents the result of the three implementation phases of the project that led to the replacement of IAS 39, relating to the classification and measurement of financial instruments, impairment and hedge accounting. IFRS 9 provides a unique approach to classification for all types of financial assets, including financial assets that contain embedded derivatives. All financial assets are classified in their entirety rather than being subject to complex bifurcation arrangements for the related values. In order to define the methods through which financial assets should be classified and measured, the business model applied to the Group should be considered for managing financial assets and the characteristics of the related cash flows.

Financial assets at amortised cost are required under the scope of a business model whose purpose is to hold the assets until maturity and collect the cash flows, unlike financial assets classified and measured at the fair value and allocated to the comprehensive income state which concern assets held in a business model whose purpose is achieved by either collecting the contractually agreed cash flows or by selling the financial assets. This measurement category assumes the information required both

for the assets classified at the amortised cost and for the assets classified at fair value and allocated to the comprehensive income statement.

With regard to the classification and measurement of financial liabilities, IFRS 9 has essentially replicated the accounting treatment in IAS 39 with some slight amendments. The majority of financial liabilities continue to be measured at amortised cost; in addition, the option to measure financial liabilities at fair value through the income statement is still available in certain circumstances.

The principle introduces new provisions for the evaluation of financial liabilities at fair value, according to which changes in the fair value of a company's debt should be recorded in the comprehensive income statement and not in the income statement. These requirements are already available for adoption without applying the further provisions of IFRS 9 in their entirety.

In addition, the principle identified a new impairment model that provides users of financial statements more information about the company's expected losses. IFRS 9 also includes a new hedge accounting model, with the aim of aligning the accounting treatment with the risk management methods and establishing a model with a greater focus on objective criteria, a principles-based approach.

With reference to the scope of the updates planned by the principle, a project was launched in 2017 through the establishment of working groups with the aim of identifying potential impacts on the financial statements and any adjustments to the financial information internal control system. The analyses specifically involved: i) the methods for calculating the market value of minority investments which, based on the accounting principle currently in force, can be valued at cost when the fair value cannot be reliably calculated; ii) the impairment models involving credits and asset contracts.

Refer to the next section **Impacts resulting from the adoption of new principles** for information relating to the expected impacts of the adoption of the accounting principle.

IFRS 9 Prepayment features with negative compensation – issued on 12 October 2017. The aim of amendments is to address the issue of the classification of particular categories of financial assets with the possibility of early regulation. These amendments govern the situation in which the party exercising the early regulation option for a financial asset could receive a compensation payment from the other party. This case is known as negative compensation. As the result of an agreement of this type, a lender could be forced to accept an early payment that is substantially lower than the amount of principal and interest not collected. The financial asset in question should be measured at the amortised cost or at the fair value through OCI based on the reference business model.

The Group is evaluating possible impacts associated with the changes of IFRS 9 which will be applicable, after endorsement, from 1 January 2019.

- *IFRS 15 Revenue from contracts with customers* - issued on 28 May 2014 and the subject of *Amendments to IFRS 15: effective date of IFRS 15*, on 11 September 2015. The new principle will be applied to all contracts with customers in accordance with the scope of application set out within the

actual standard. The new principle establishes a global framework for recording revenues and measuring them, based on the criterion of recording revenues at the time of the transfer of goods or services promised to customers in an amount which reflects the contractual consideration with regard to said goods or services. This criterion is applied under the scope of a methodology which can be summarised in 5 stages: identification of the contract with the customer (phase 1); identification of the performance obligations (phase 2); determining of the transactions price, or the consideration that can be reasonably expected (phase 3); allocation of the transaction price to every single performance obligation based on the stand-alone selling price of each of the goods or services promised in the contract (phase 4); recording of revenues on the satisfaction of the performance obligation through the transfer of the goods or services, which coincides with the time the customer gains control of these goods or services (phase 5). The principle will be applicable to financial years starting from 1 January 2018.

Clarifications to IFRS 15 Revenue from contracts with customers - issued on 12 April 2016, it includes several amendments to the principle in order to clarify aspects related to the practical expedients identified by IFRS 15 and several issues discussed under the scope of the “*Joint Transition Resource Group*” created jointly by the IASB and the FASB. The object of these clarifications is to provide interpretations relating to the requirements of IFRS 15 but not to distort its formulation. In common with IFRS 15 the related clarifications will be applicable to the year beginning 1 January 2018.

In 2017 the Group organised working groups and, as a result, launched a project designed to assess potential impacts on the financial statements and verify any financial information internal control system adjustments through the identification of critical cases. These analyses are directed at:

- i) identifying the scope of the contracts included under IFRS 15;
- ii) analysing the above contracts to identify the main cases affected by the application of IFRS 15 (identification of performance obligations, methods to progress the obligations and ensure satisfaction over time and identification of the stand-alone selling price);
- iii) calculating the economic-financial effects, the disclosure requirements and the impact on the control system relating to financial information, resulting from the contract analysis activity.

Refer to the next section **Impacts resulting from the adoption of new principles** for information relating to the expected impacts of the adoption of the accounting principle.

- *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 leasing agreements for both parties of a contract, for examples the lessee and the lessor. Although maintaining the definition of lease agreement already set out in IAS 17, the main change introduced by IFRS 16 consists of the introduction of the concept of control under the scope of the actual definition. Specifically, IFRS 16 requires the evaluation of whether or not the lessee has the right to control the use

of an asset for a given period of time. IFRS 16 eliminates the classification between operational and financial leasing and introduces a unique method for recording all lease agreements in the accounts. The standard will be applicable to financial years starting from 1 January 2019.

The Group does not expect there to be impacts from the future application of the new arrangements.

- *Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associates or joint ventures* - on 11 September 2014 the IASB published amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, in order to coordinate the accounting framework governing sales transactions or the transfer of assets between an investor and its associates or joint ventures. The amendments introduced are designed to clarify the accounting treatment with regard to profits or losses resulting from equity-accounted transactions with joint ventures or associates. These amendments have not been approved by the European Union, however the Group does not expect significant accounting effects resulting from the application of the amendments taking into consideration the current scope of the Group. EFRAG recommended the European Commission to postpone the endorsement process for these amendments until the IASB project on the derecognition of profits and losses resulting from transactions between a company and its associate or joint venture is completed.

Impacts resulting from the adoption of the new principles

IFRS 9 Financial instruments

In 2017 the Group carried out a detailed analysis into the impacts of all the aspects dealt with by IFRS 9. Broadly speaking, the Group does not expect there to be significant impacts on its statement of financial position and shareholders' equity with the exception of the applications of the requirements of IFRS 9 on the issue of impairment. With regard to expected impairment, the Group expects to set aside a greater amount which will have a negative impact on shareholders' equity, as reported later. No changes will be made to the classification of financial instruments and the provisions for hedge accounting will not affect the methods for measuring the derivative instrument currently held by the Group.

a) Classification and valuation

The Group does not expect there to be significant impacts on its financial statements and shareholders' equity as a result of the application of the classification and valuation requirements of IFRS 9.

It is the intention, in the near future, to keep the equity holding in the unlisted company Aireon LLC, owned via its subsidiary Enav North Atlantic, in its portfolio taking into account the strategic nature of this investment, which leads us, as things stand, to exclude theories of realisation in the short-term. The investment is currently accounted at cost, in accordance with IAS 39 because the fair value cannot be

reliably calculated. When adopting IFRS 9 the Group will also apply the irrevocable option of presenting the changes in fair value, where they can be reliably calculated, in the other comprehensive income statement components. In accordance with IFRS 9, as things stand, the cost presents the best proxy of the fair value for investments in unlisted capital instruments, for which there is insufficient information to calculate the fair value or with regard to which the cost is in a range of possible values representing the fair value of the capital instrument.

In previous years, it was not necessary to account any impairment of these capital instruments (equity instruments), therefore the application of IFRS 9 will not have significant impacts on the actual valuation.

Specifically, it is expected that financial assets which are currently accounted at fair value will continue to be measured at fair value.

Other financial assets, including trade receivables, are held for collection at the contractual maturity of the cash flows with reference to the principal and interest. The Group has analysed the characteristics of the contractual cash flows of these instruments and concluded that they comply with the criteria for valuation at the amortised cost in accordance with IFRS 9. Therefore there is no need to reclassify these financial instruments.

As far as financial liabilities are concerned, all bank loans and the bond issued in 2015 are measured through the amortised cost method. In this respect, the introduction of IFRS 9 should not cause significant changes to current accounting treatment.

b) Impairment

IFRS 9 requires the Group to record expected credit losses on all obligations in the portfolio, loans and trade receivables, using either a period of 12 months or the entire contractual term of the instrument as a reference (e.g. lifetime expected loss) based on the decision to adopt the general or simplified model, rather than a combination of the above-mentioned models.

The Group has decided to apply the following approach to calculating expected credit losses at 31 December 2017.

- *Regulated market:*
 - General model: with reference to the receivables attributable to the main carriers in terms of turnover, an analytical approach was adopted for calculating losses on credits, in other words write-downs were calculated taking into consideration not only financial exposure but also the probability of default of the carriers (extrapolated from the information provider Bloomberg) and an estimate of the loss percentage in the case of insolvency. Under the scope of the general model the positions relating to bankrupt companies were also included, with a specific valuation of the expected credit loss carried out.

- Simplified model: this model, for cases of trade receivables and contract assets resulting from transactions under the scope of IFRS 15, was applied to open positions remaining from the general model, using a distinct approach for the following cases: en-route receivables, terminal receivables and a separate valuation was carried out with regard to active and inactive carriers under this scope. The provision matrices were defined through an approach based on the risk of default, as well as by nature and type, also by expiry band (default rate), calculated taking into consideration adjusted historical data in order to incorporate possible corrections resulting from the inclusion of forward-looking parameters.
- *Non-regulated market*:
 - General model: analytical evaluations have been conducted for a portion of past due credits, for which legal rulings have been issued and/or reasonable valuations of the partial and/or total recoverability of the receivable;
 - Simplified model: the provision matrix has been adopted through an approach based on the risk of default by expiry band (default rate), taking into consideration adjusted historical data, in order to incorporate possible corrections resulting from the inclusion of forward-looking parameters.

With regard to other financial assets of a non-commercial nature valued at amortised cost, it is not believed that a change in the credit rating compared with the initial measurement has emerged and there appears to be no probability of default in the next 12 months.

The Group has decided that, at the outcome of the above-mentioned analyses, the provision for losses with specific reference to trade receivables, will increase by around €455 thousand. The greater losses on receivables for the Group, measured in accordance with IFRS 9, are mainly attributable to Enav S.p.A..

c) Hedge accounting

The Group established that the existing hedge accounting currently intended as effective hedging will continue in accordance with IFRS 9. Given that IFRS 9 does not modify the general principle on the basis of which an entity accounts effective hedging, for the purpose of defining hedging, the application of the requirements of IFRS 9 will not have significant effects on the financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

The Group expects to apply the new standard from the mandatory effective date accounting for the cumulative effect of this principle at the initial application date (modified approach). In 2016, the Group conducted a preliminary evaluation of the effects of IFRS 15, which continued and was concluded with a more detailed analysis in 2017.

The results of the analyses conducted by the Group at 31 December 2017 are listed below, with regard to the provision of En-Route and Terminal services, separated into regulated and non-regulated markets.

- *Regulated market:* the provision of air traffic control services (both with regard to carriers, via Eurocontrol, and the Ministry with regard to exempt flights) in both en-route and terminal components, represent two different and separated performance obligations according to the standard, complied with over time, taking into consideration that customers simultaneously receive and use the benefits resulting from the provision of services by the Parent Company gradually as it supplies them. For the purpose of evaluating the progress towards full compliance with the obligation, the Group has adopted an evaluation method based on the outputs (measured by the service units for en-route and terminal services). Through this method the revenues are actually measured on the basis of direct evaluations of the value that the services provided until the date considered have for customers compared with the services promised in the contract which have yet to be provided, including the revenue adjustment component resulting from the balance mechanism, which makes it possible to measure the value of the services provided to customers. This mechanism includes a significant financial component with a time horizon of more than 12 months in conformity with paragraphs 60 et.seq. of IFRS 15; specifically, in calculating the price of the operation, the Group will adjust the amount of the revenues to take into account the effects of the temporary value of money. The effects of this component (interest) will continue to be reported separately from revenues from contracts with customers.

No significant impacts have emerged, following the above-mentioned analyses, that could produce a change in the initial shareholders' equity values at 1 January 2018 since already now the revenues represent the measurement of performance to customers, with regard to which the balance is an information detail.

- *Non-regulated market:* a detailed analysis of active sales contracts has been carried out. The Group mainly provides training, flight inspection and aeronautical consulting services and marginally other services for the construction of infrastructure equipment through its subsidiary Techno Sky. The following has emerged from the analyses conducted:

- aeronautical consulting services are mainly contracts recognised over time, in which in many cases the practical expedient in IFRS 15 was adopted for measuring progress based on billing, in limited cases methods based on input.

Even where multiple obligation performances have been identified under the scope of the same contract, the stand alone selling prices were consistent with the contractual considerations, taking into account that they were calculated on the basis of a quantification of man hours including a contract margin applied to each performance obligation. Similar considerations are applicable to any optional considerations (limited cases), which do not confer an unconditional right on customers.

Under the scope of certain sales contracts there are variable considerations (essentially penalties for lateness with a defined maximum ceiling) for which a careful evaluation of the most likely amount has been carried out, based on historical analyses and an evaluation of the counterparty.

Following the analyses marginal impacts emerged, below €10 thousand with a simultaneous emergence of contract assets, taking into account that a large number of the contracts were billed close to the year-end, many contracts ran out by the year-end and ceased to produce economic effects and in many cases the measurement of progress was based on the above-mentioned practical expedient;

- Flight inspection contracts are mainly measured at a point in time, excluding an over time contract through the practical expedient. The Group does not expect impacts attributable to flight inspection services.
- An over time measurement method was adopted under the scope of training contracts for the most important contract, which did not produce effects on an annual basis taking into consideration that it was billed in full at 31 December 2017.

In conclusion, no significant impacts were produced on an annual basis on the economic and financial position of the Group, other than limited to the impacts mentioned previously under the scope of aeronautical consulting services.

Notes to the consolidated statement of financial position

7. Tangible assets

The table below shows changes in tangible assets at 31 December 2017 compared with the previous year.

	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
Historical cost	463,324	1,730,864	301,652	327,188	241,706	3,064,734
Accumulated depreciation	(186,488)	(1,280,025)	(246,895)	(295,045)	0	(2,008,453)
Net amount 31.12.2016	276,836	450,839	54,757	32,143	241,706	1,056,281
Increases	29,224	81,648	14,647	4,079	106,889	236,487
Disposals - historical cost	(42)	(6,676)	(4,155)	(14,963)	0	(25,836)
Disposals - accumulated depreciation	42	5,672	3,982	14,951	0	24,647
Reclassifications	0	(5)	0	0	(131,157)	(131,162)
Impairment losses	0	0	0	0	0	0
Depreciation	(17,950)	(93,238)	(13,258)	(8,455)	0	(132,901)
Total changes	11,274	(12,599)	1,216	(4,388)	(24,268)	(28,765)
Historical cost	492,506	1,805,821	312,144	316,304	217,438	3,144,213
Accumulated depreciation	(204,396)	(1,367,581)	(256,171)	(288,549)	0	(2,116,697)
Net amount 31.12.2017	288,110	438,240	55,973	27,755	217,438	1,027,516

There was a net negative change in tangible assets in the year of €28,765 thousand as a result of the following events:

- depreciation for the year of €132,901 thousand (€133,560 thousand in 2016);
- increases in tangible assets totalling €236,487 thousand, including €129,598 thousand relating to investments made and that came into use during the year. Note: i) the wind shear detection system at Palermo Airport which, using a network of air speed indicators for measuring wind near the ground and radar and lidar type meteorological sensors make it possible to detect turbulence on the aircraft approach path; ii) the new air-to-ground radio centre and airport LAN at the airport of Bergamo Orio al Serio; iii) EATMS build, radar and flight data presentation software for use by controllers (CWP Controller Working Position) with a prototype set of functions designed to allow the execution of a series of SESAR tests jointly with the Coflight product. This software, with all functional and technical details to be completed later with the 4Flight contract, is the basis of the presentation of the future ATM platform; iv) the service centre at the Area Control Center (ACC) of Roma Ciampino where several offices have been allocated to the Parent Company; v) the AMHS programme (Aeronautical Message Handling System) is a system that allows the acquisition and relaunch onto the international network of all flight plan distributions, Notam and weather forecasts in accordance with the ICAO standard that connects all global providers; vi) the new power plant servicing the Rome Ciampino Area Control Centre and the airport of Genoa; vii) a plan of the service centre at the Rome Ciampino Area Control Centre which houses the offices of the Controller; vi) the adjustment and technological upgrading of the CNS/ATM systems at various airport sites with regard to the E-NET virtual network voice operating service; viii) the adaptation of the 8.33 kHz ground-to-air radio equipment for the Milan Area Control

Centre; ix) the modernisation of weather systems at various airport sites; x) the maintenance of various systems.

The increases of €106,889 thousand refer to tangible assets under construction involving the progress of investment projects, some of the most important of which are: i) the 4-flight project, the goal of which is to develop the entire ATM technological platform of ACCs based on SESAR operating concepts and taking into the Coflight system as a basic component. With regard to the new generation flight data processing system called Coflight which supports controllers in calculating the expected flight path, produced in conjunction with the Parent Company and the French provider DSNA, the development of the V3R2 and V3R3 versions was launched in 2017 which will be integrated in the 4-flight project; ii) the expansion of the Forlì Academy training school which will include the construction of a new integrated technology hub; iii) the implementation of the 2000 data link system for the transmission of ground to air data which will allow the replacement of voice communication between controllers and pilots with text communication in the process of being installed at three Area Control Centers; iv) the integration of the ERATO (En-Route Air Traffic Organizer) system, which supports controllers in managing air traffic identifying potential conflicts and highlighting the elements to be evaluated for solving these situations, in the SATCAS (Standard Air Traffic Control Automation System); v) the automation programme for the operation of control towers towards full electronic management at six airports in the process of realisation at the Milano Malpensa airport tower; vi) an airport tracker radar data fusion system for the airports of Milano Linate and Milano Malpensa.

- a decrease in tangible assets under construction totalling €131,162 thousand including the classification of €129,598 thousand referring to investment projects that have been concluded and come into operation classified in its own item, €552 thousand for the reclassification of several operational system components under inventories for spare parts, €173 thousand for the reclassification of several projects under the correct item in intangible assets;
- a decrease in several out of commission systems being replaced following the technological modernisation which have revealed a capital loss of €1,189 thousand.

Note that part of the investments, with a historical cost of €241,860 thousand, is financed by capital grants recognised as part of the National Operating Program (NOP) for Transport for the years 2000-2006 and 2007-2013 for initiatives at southern airports and grants assigned by the Ministry of Infrastructure and Transport for investments in military airports, in accordance with Italian Law 102/09. The capital grants recognised for these investments are accounted for as other liabilities and released to the income statement in line with the depreciation of the investments to which they refer. The amount attributable to the year came to €9,732 thousand.

8. Intangible assets

The table below shows changes in intangible assets at 31 December 2017 compared with the previous year.

	Industrial patent and intellectual property rights	Other intangible assets	Asset under construction	Goodwill	Total
Historical cost	128,353	2,085	44,619	66,486	241,543
Accumulated amortisation	(116,374)	(2,085)	0	0	(118,459)
Net amount 31.12.2016	11,979	0	44,619	66,486	123,084
Increases	9,957	0	8,488	0	18,445
Disposals	0	0	0	0	0
Reclassifications	0	0	(9,957)	0	(9,957)
Impairment losses	0	0	0	0	0
Amortisation	(7,159)	0	0	0	(7,159)
Total changes	2,798	0	(1,469)	0	1,329
Historical cost	138,310	2,085	43,150	66,486	250,031
Accumulated depreciation	(123,533)	(2,085)	0	0	(125,618)
Net amount 31.12.2017	14,777	0	43,150	66,486	124,413

Intangible assets totalled €124,413 thousand and a net increase of €1,329 thousand was recorded with the following changes:

- amortisation for the year of €7,159 thousand (€8,956 thousand in 2016);
- the increases in intangible assets totalling €18,445 thousand including €9,957 thousand which refers to investment projects completed during the year and which came into use involving: i) the NOAS project (New Operational Area System), involving the optimisation of the systems already developed by the Parent Company through the Airnas and Athena projects aimed at maintaining Single European Sky certification and the integration of the AIS and Weather databases; ii) the monitoring and analysis system for the ATM system called AIDA; iii) the upgrading of the ERP Oracle management system to release 12 x and business intelligence. The €8,488 thousand increase refers to investment projects in progress including: i) the activities relating to the ERP Oracle management system with a view to implementing such a system under the scope of the Enav Group; ii) various systems supporting SESAR operational activities;
- the decreases in intangible assets of €9,957 thousand refer entirely to investment projects concluded that came into use classified in its own item.

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, coinciding with the legal entity Techno Sky S.r.l.. At 31 December 2017, by applying the methodology in IAS 36 *Impairment of assets*, this goodwill was subjected to impairment testing, carried out by comparing the recoverable value of the CGU with the book value of net assets relating to said unit, consistent with the provisions of IAS 36. It

should be stressed that intangible assets with an indefinite useful life were not allocated to the CGU in question. The value in use was used as a reference in calculating the recoverable value. The discount rate used was the WACC of 8.3% with a growth rate for operating cash flows in nominal terms, after the explicit period, equal to 1.5% consistent with the current reference macro economic projections (Euro Zone inflation) and in line with 2016.

For the estimation of the recoverable value, management used the estimated value in use based on the cash flows as taken from the 2018-2022 economic-financial plan prepared by the subsidiary, without implementing further normalisation activities on the expected margin levels.

As far as the revenues for the 2018-2022 plan are concerned, the management of Techno Sky made observations regarding the three underlying components: revenues from Enav for capital grants for maintenance activities, revenues from Enav for operating grants for development activities and non-regulated market contracts. In the reference period the plan reported moderate overall growth (CAGR 1.8%) due to a general increase in activities to be carried out with regard to the Parent Company, and from 2018 also for the insourcing of former SICTA resources. The share of "Revenue from Operating Grants" includes the renewal of the global maintenance contract from 2019 and the expansion of Global Service related activities. The share of "Revenue from Capital Grants" fell slightly on account of two combined effects: lower planned maintenance activities in accordance with the Enav technical area and an increase in line with Enav CAPEX, with the contract development plan and with projects implemented by former Sicta RSS personnel. The company plans to undertake commercial activities on the non-regulated market through the acquisition of new contracts outside the EU.

Fixed costs were forecast to be in line with actual costs in previous years. The assumptions on which the company based the development of the economic-financial plan on can be traced to knowledge of the reference market, the information received from the Group Commercial Development Function and objective data referring to the company's core business activities.

Following the test the recoverable amount was higher than the book value of the CGU and, as a result, no impairment was recorded. The recoverable amount for the purpose of the impairment test reports headroom compared with the corresponding book values amounting to around €39.2 million.

For the purpose of the sensitivity analysis, an increase in the WACC of 0.3% was assumed, and keeping the growth rate at 1.5%, the recoverable amount continues to be higher than the book value of net assets relating to the CGU coming in at €33.7 million. Assuming an increase in the WACC of 0.3% and a growth rate of 0.75%, the recoverable amount would continue to be higher than the book value of net assets relating to the CGU coming in at €24.2 million.

No other plausible changes in the key impairment parameters have been discerned that could cancel out the positive difference between the value in use and the book value of the CGU assets.

9. Investments in other companies

Investments in other companies, entirely with reference to equity investments held in other companies, stood at €51,216 thousand at 31 December 2017 (€36,468 thousand at 31 December 2016) and, compared with the previous year, rose by €14,749 thousand due exclusively to the payment of the third and fourth instalments of the purchase price of the Aireon LLC shares, a total investment of USD 61.2 million and a portion of the equity investment owned at the date of the financial statements of 10.07% which, as a result of the redemption clause, included in the obligations arising from the Subscription Agreement signed in December 2013, is expected to increase to 12.5%. The corporate purpose of this company, under US law, is the provision of satellite surveillance services for air traffic through a payload system installed on board 66 operational satellites owned by Iridium. The equity investment is recorded at the purchase cost because, in the absence of an active market, the fair value cannot be reliably calculated. At 31 December 2017, taking into account that the investment by the Parent Company was concluded and that the management of Aireon presented the new economic-financial plan to shareholders in December 2017, the equity investment, even in the absence of objective impairment, was subjected to impairment tests in order to measure the recoverability of the carrying amount.

The impairment test was carried out on the basis of the results of the 2018-2033 economic-financial plan (the "Plan"): the time horizon in relation to which the flows are projected is consistent with the useful life of the technological asset, the satellite constellation, and this useful life was estimated by the management of Aireon. The Plan involves a financial structure with a level of debt that is essentially constant for the entire time horizon servicing the distribution of dividends to shareholders as well as investments connected to the construction of the second constellation during the latter years of the Plan.

Taking into account the characteristics of the equity investment, the recoverable value was estimated using an equity side approach based on the value in use using the Discounted Cash Flow (DCF) method to discount the dividend flows expected from 2021, the year of the distribution of dividends, until 2033, to which a terminal value was added. The discount rate used is the Cost of Capital (K_e) equal to 15.46% calculated using the CAPM methodology (Capital Asset Pricing Model); the terminal value was estimated assuming a discrete 15-year return consistent with the useful life of the second constellation in the Plan, creating a pay-out based on a dividend growth rate in nominal terms (g rate) of 2% below the free-risk return, and an ROE equal to the discount rate (K_e), prudentially excluding extra returns with regard to the market.

Following the test the recoverable amount was higher than the carrying amount and, as a result, no impairment regarding the financial assets was recorded. The recoverable amount for the purpose of the impairment test reported headroom compared with the carrying amount of the equity investment, equal to around USD 11.7 million with a total value of USD 72.9 million.

A sensitivity analysis was conducted in order to check the robustness of the value in use involving the K_e parameters and g growth rate: assuming an increase in the K_e of 1% and keeping the growth rate at 2%, the recoverable amount of the equity investment would be reduced to USD 65.6 million while, assuming a 1% increase in the K_e and applying a 1% growth rate, the recoverable amount of the equity investment would fall to USD 64.9 million.

An additional check was carried out by conducting an impairment test using an asset-side approach, discounting the operating cash flows using the Discounted Cash Flow method (DCF). The discount rate used was the WACC (Weighted Average Cost of Capital) which, in the case in question, in order to take into account the risks associated with the financial structure of the Plan, was taken as 15.46% and corresponds to the Cost of Capital (K_e). The terminal value was estimated assuming a 15-year discrete return, calculating a normalised operating flow based on a Nopat growth rate in nominal terms of 2% (lower than the free-risk return) and an ROIC equal to the discount rate, prudentially excluding extra returns with regard to the market. Following the test there was headroom compared with the carrying amount of the equity investment, equal to around USD 8.6 million with a total value of USD 69.8 million. A further sensitivity analysis was carried out based on the discounting of operating cash flows at the WACC rate of 13.03%, including the present value of the financial debt expected at the end of the plan in the net financial position. The recoverable value, approximately USD 77 million, is higher than the carrying amount of the equity investment.

Following the analysis conducted, based on the two evaluation methods used, the recoverable amount of the equity investment was in a range between USD 69.8 and 72.9 million. Taking into account that Aireon LLC is an unlisted company and given that there is no active market, the estimated recoverable amount confirms the book value of the equity investment in the consolidated financial statements.

Investments in other companies also include the 16.67% share held by the Parent Company in the share capital of the company under French law ESSP SaS, a company in which the main European service providers have a stakeholding and whose corporate purpose is the management of the EGNOS satellite navigation system and the provision of related services, with a dividend of €417 thousand paid out in 2017 (€250 thousand in 2016).

10. Current and non-current financial assets

Non-current financial assets amounted to €13,001 thousand, a decrease of €670 thousand compared with 31 December 2016 and break down as follows:

	31.12.2017	31.12.2016	Variation
Non-current financial assets			
Financial receivables	12,650	13,306	(656)
Other	351	365	(14)
Total	13,001	13,671	(670)
Current financial assets			
Derivative	325	1,221	(896)
Total	325	1,221	(896)

The financial receivable relates entirely to the receivable due from the company from which the business unit transferred to Techno Sky was purchased, with a balance of €12,650 thousand, a decrease during the year of €656 thousand for the repayment obtained, commensurate with the settlements and advances paid by Techno Sky to its employees by way of employee severance indemnity. This receivable corresponds to employee severance indemnity included in the business unit transferred from the seller to subsidiary Techno Sky, and is reduced either on simple request from the subsidiary in the event that employees terminate their employment relationship or ask for advances in a single instalment 15 years from the signing date, which corresponds to 28 December 2021. The receivable bears interest at the 3-month Euribor rate, 360 base, plus a spread of 0.05 percentage points and is supported by a first demand bank guarantee, the value of which is adjusted annually based on the sums collected by Techno Sky during the year.

Current financial assets stood at €325 thousand at 31 December 2017, a net decrease of €896 thousand, referring €1,221 thousand to the concluding of the derivative contract signed in December 2013 by the Parent Company for the forward currency purchase, in USD, divided into four instalments and the fourth exercised in 2017, corresponding to the payment of the last portion for the purchase of the investment in Aireon. The positive change of €325 thousand refers to the positive fair value of the financial instrument agreed by the Parent Company for the purpose of hedging the exposure from an unfavourable change in Euro/AED exchange rates relating to future collections in foreign currency concerning a two-year active contract, expiring in 2018, defined with the Abu Dhabi General Aviation Authority for the project for optimising air traffic flows in the United Arab Emirates. At 31 December 2016 this instrument has a negative fair value classified under non-current financial liabilities.

The derivative contract represents a perfectly effective hedge and is accounted for in accordance with the cash flow hedge method. Refer to note 34 for all information required under IFRS 7.

11. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities, as well as assets deferred tax assets that can be offset, where possible, with the deferred tax liabilities are reported in detail in the table below, with amounts

impacting profit and loss and those impacting other items of comprehensive income (shareholders' equity) highlighted separately.

	31.12.2016		Incr./decr. with impact on Income Statement		Incr./decr. with impact on Shareholders' Equity		31.12.2017	
	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities
Deferred tax assets								
Taxed provisions	56,736	13,617	4,819	1,157	0	0	61,555	14,774
Write-down of inventories	9,002	2,161	117	28	0	0	9,119	2,189
Discounting on receivables	3,858	993	(2,329)	(604)	0	0	1,529	389
Tax effect of IFRS conversion	751	210	(135)	(39)	0	0	616	171
Discounting employee severance indemnity	2,634	651	0	0	(137)	(33)	2,497	618
Employee severance indemnity non-deductible portion	1,878	465	(582)	(139)	0	0	1,296	326
Fair value of derivatives	52	12	0	0	(48)	(11)	4	1
Other	21,487	6,110	804	207	0	0	22,291	6,317
Total	96,398	24,219	2,694	610	(185)	(44)	98,907	24,785
Deferred tax liabilities								
Other	9,106	2,185	(705)	(169)	0	0	8,401	2,016
Discounting on debts	270	65	95	23	0	0	365	88
Tax effect of IFRS conversion	2,812	848	(263)	(85)	0	0	2,549	763
Fair value of derivatives	3,801	912	0	0	(1,143)	(274)	2,658	638
Total	15,989	4,010	(873)	(231)	(1,143)	(274)	13,973	3,505

The change in the year in deferred tax assets and deferred tax liabilities, which have a balance, at the end of 2017, respectively of €24,785 thousand and €3,505 thousand, is attributable to the following effects:

- the provisions and utilization from taxable funds, such as the risk provision, allowance for inventory losses and bad debt provision for the reasons reported in notes 13, 14 and 19;
- the reversal to the income statement of the deferred tax associated with the discounting of receivables and payables for balances both as far as the share for the year is concerned and, relating to the terminal balances of the third charging zone, the portion referring to the fair value of the receivable of €26 million at the 2017 year-end. This item also changed on account of the reporting of the deferred tax associated with the balances recorded in 2017:
- the accounting of employee severance indemnity according to the actuarial method, which shown an actuarial gain impacting other comprehensive income statement;
- the measurement at fair value of derivative financial instruments with recording in other comprehensive income statement;
- the default interest not collected which refers to 2017 and the reversal to the income statement of interest recorded in previous years for shares collected and/or cancelled;
- the measurement and reversal to the income statement of the elimination of margins on transactions carried out under the scope of the Group.

The Group reasonably believes the deferred tax assets recorded on the basis of the prospective tax bases inferable in the business plan can be recovered.

12. Current and non-current tax receivables

Non-current tax receivables stood at €24,858 thousand (€25,177 thousand at 31 December 2016) and refer to the receivable for the higher IRES tax paid by the Group in 2007/2011 as a result of the failure to deduct IRAP relating to personnel and similar costs. In 2017 the receivable was reduced by €319 thousand following the collection, by the subsidiary Techno Sky, of the share referring to 2009. In line with the requirements of the Income Revenue Authority provision, which demands repayments starting from the most distant tax periods and based on the order of the transmission of the telematic flows, it was deemed prudential to classify this receivable under non-current assets.

Current tax receivables amounted to €26,178 thousand and include the receivables specified in the table below.

	31.12.2017	31.12.2016	Variation
Receivables from tax authorities for VAT	20,202	23,169	(2,967)
IRES receivable	0	617	(617)
IRAP receivable	5,617	12,866	(7,249)
Other current tax receivable	359	3,418	(3,059)
Total	26,178	40,070	(13,892)

The **receivable from the tax authorities for VAT**, equal to €20,202 thousand in total included a negative net change of €2,967 thousand with reference to the VAT repayment the Parent Company was asked for in 2016 equal to €13,661 thousand including the interest income recorded in the year of €19 thousand at the legal rate of 2% on an annual basis, excluding the VAT accrued in 2017 totalling €10,675 thousand. The split payment mechanism, introduced through Legislative Decree No. 50 of 24 April 2017 and the subsequent implementing decree, which means that the Group is responsible for the obligation of paying VAT on purchases of goods and services directly to the tax authorities and only paying suppliers the taxable amount without the tax, has resulted, with effect from 1 July 2017, in a lower VAT receivable than previous years and with special reference to the first half of 2017.

The **IRAP receivable** stands at €5,617 thousand and is made up of the receivable recorded in 2016 minus the IRAP for the year equal to €7,249 thousand.

The **other current tax receivable** stands at €359 thousand and refers entirely to the receivable for taxes paid abroad. The net decrease recorded in 2017 of €3,059 thousand refers to the collection of the IRAP receivable for the years from 2004 to 2007 of €1,170 thousand and the recovery of taxes paid on account at the end of 2016 totalling €1,927 thousand by Enav North Atlantic by way of US Federal Income Tax and Corporate State Tax in relation to the preferred dividends accrued and not collected where repayment was demanded in the first months of 2017 following the postponement of the right to receive dividends between 2016 and 2021 through the changes that took place under the scope of the agreements between the parties.

13. Current and non-current trade receivables

Current trade receivables amounted to €285,810 thousand and non-current trade receivables, relating entirely to balance receivables, totalled €88,174 thousand and changed as follows during the year as illustrated in the table below.

	31.12.2017	31.12.2016	Variation
Current trade receivables			
Receivables from Eurocontrol	185,423	164,271	21,152
Receivables from the Ministry of Economy and Finance	13,932	13,299	633
Receivables from the Ministry of Infrastructure and Transport	30,000	30,000	0
Receivables from others	42,242	39,523	2,719
Balance receivables	70,200	28,781	41,419
	341,797	275,874	65,923
Bad debt provision	(55,987)	(49,223)	(6,764)
Total	285,810	226,651	59,159
Non-current trade receivables			
Balance receivables	88,174	153,539	(65,365)
Total	88,174	153,539	(65,365)

The **Receivables from Eurocontrol** relates to the fees from en-route and terminal revenues not yet collected at 31 December 2017 equal, respectively to €131,140 thousand (€114,417 thousand at 31 December 2016) and €54,283 thousand (€49,854 thousand at 31 December 2016) gross of the bad debts provision. The increase for the year totalling €21,152 thousand is mainly attributable to a greater turnover for both en-route and terminal recorded in the last two months of 2017 compared with the same period of the previous year and to receivable positions with regard to Alitalia totalling €17.9 million, which accrued before admission to the extraordinary administration proceedings which declared it insolvent and froze positions prior to 2 May 2017. With reference to this receivable, note that with regard to the en-route receivable in recognition of the activities carried out by the Parent Company and other providers under the scope of Eurocontrol as essential for the continuation of Alitalia's activities, the commissioners asked the bankruptcy judge to pre-deduct the receivable recognising the entire amount and defining an agreement which makes provision for repayment in monthly instalments of variable amounts with effect from January 2018 (collected instalment) until September 2018. As far as the terminal receivable is concerned, although it has the same characteristics as the en-route receivable of which the Parent Company took action for the purpose of recognition of standardised treatment, the regular process is currently being followed and, as commented on later, it was decided to make a prudential write-down of part of the receivable. The amount due from Eurocontrol, net of the portion directly attributed to the bad debts provision, comes to €140,229 thousand (€124,264 thousand at 31 December 2016).

The **Receivables from the Ministry of Economy and Finance (MEF)** was €13,932 thousand and relates in full to the en-route and terminal exemptions recorded in 2017 and an increase of €633 thousand compared

with the previous year. The receivable for 2016 of €13,299 thousand was offset, following the approval of the 2016 financial statements, by the payable to the Air Force for collections involving en-route charges of €66,057 thousand which created a payable to the MEF of €52,758 thousand paid in December 2017.

The **Receivables from the Ministry of Infrastructure and Transport** includes the contribution for operating grants, equal to €30,000 thousand, aimed at offsetting the costs incurred by the Parent Company to guarantee the security of its plants and operational safety, as required by Article 11 septies of Law 248/05. €30 million recognised in 2016 was also collected in December.

The item **Receivables from others** increased by €2,719 thousand compared with the previous year, through the increased activities carried out by the Group involving foreign contracts and mainly containing positions not yet due, including the activities carried out in Malaysia for the Kuala Lumpur Air Control Center, in Libya for the construction of a control tower and technical area at the Mitiga Airport, in the United Arab Emirates for the restructuring of the airspace. The item also includes positions with management companies for services provided by the Parent Company and activities carried out for the Air Force at various military airports.

The **Bad debt provision** stood at €55,987 thousand and changed as follows in 2017:

	31.12.2016	Increases	Decreases		31.12.2017
			Utilizations	Cancellations	
Bad debt provision	49,223	8,200	(895)	(541)	55,987

The increase in the year of €8,200 thousand refers to the write-down of doubtful receivables regarding positions with airline companies for en-route and terminal changes, which went bankrupt or are no longer operating following the withdrawal of their licence, and write-downs involving management companies that are in insolvency proceedings. Specifically, the write-down of €3.5 million refers to the terminal receivable due from Alitalia that accrued prior to the carrier being declared insolvent on 2 May 2017. As reported in Note No. 39 on the management of financial risks, although the receivables were recorded with regard to Eurocontrol, the evaluation of the credit risk is carried out for individual carriers because Eurocontrol cannot assume any credit risk following the possible insolvency of carriers, so this risk is the responsibility of the Parent Company. This receivable which will follow the times defined by the extraordinary administration proceedings was prudentially written-down to take into account both the extended period for the recovery of the receivable and the inherent risk in the actual process, although discussions are being held with Alitalia to recognise the above-mentioned receivable in the same way as the en-route receivable. The utilisation of the bad debt provision for €895 thousand refers to receivables prudentially written down in previous years and collected in 2017, and for €541 thousand to the cancellation of positions no longer considered recoverable both with regard to en-route receivables and terminal receivables.

The utilisations were recorded in the income statement under *write-downs and losses/(write backs)*.

The **Balance Receivables**, entirely relating to the Parent Company, net of the effect of discounting, amounts to €158,374 thousand (€182,320 thousand at 31 December 2016), and is classified: i) in current trade receivables for €70,200 thousand which, gross of discounting, refers to the portion that will be recovered in 2018 and therefore has been incorporated in the charge for the same year, ii) €88,174 thousand of which is classified in non-current trade receivables, as it will be recovered after 2018 in compliance with the recovery plans established in the performance plan and in the 2016-2019 contract project also containing the balances recorded in 2017.

The balance receivable recorded a reduction of €23,946 thousand due to the joint effect of the increase of €41,419 thousand in the current portion and a reduction of €65,365 thousand for the non-current share. The increase of €41,419 thousand relating to the current portion refers to the combined effect of the following events: i) the reduction of €30,705 thousand for the receivable following the allocation to the income statement of the portion in conformity with what is included in the charges for 2017; ii) the effect of the discounting totalling €506 thousand; iii) the reclassification to this item of the non-current balance receivable of €71,618 thousand which will be recovered in the 2018 charges. As far as the non-current portion is concerned, the reduction is due to: i) the above reclassification of €71,618 thousand; ii) the offsetting for €26 million with payables recorded with regard to the Ministry of Economy and Finance pertaining to 2014 for third charging zone terminal balance receivables recorded in previous years, which therefore will no longer be subject to recovery in the charging. This offsetting was recognised by the same Ministry, on the basis of Article 51 of Decree Law No. 50 of 24 April 2017 converted into Law No. 96 of 21 June 2017 with the aim of limiting the charge increases for this charging zone; iii) the increase for recording the balances recorded in the year for €30,430 thousand.

Specifically, this increase gross of the discounting effect, refers for €29,042 thousand to en-route balances and for €1,388 thousand to terminal balances. Specifically, the en-route balances refer to: i) the balance for traffic risk and the portion not recovered for balances recorded in previous years and including in 2017 charges totalling €21,829 thousand recorded following lower en-route service units actually generated compared with the planned figures in the performance plan (-6.2%); ii) a weather balance for €948 thousand calculated, in conformity with EU regulations, based on a cost recovery logic; iii) the en-route kpi capacity balance as a bonus for having exceeded the target defined in the performance plan which included a target of 0.11 minutes delay for en-route assisted flights with the Parent Company achieving a result of 0.009 minutes/flight. The economic quantification of this bonus, having reached the maximum level, led to the recording of a balance of €6,265 thousand.

The terminal balances refer to: i) the traffic risk balance for the first charging zone for €978 thousand following the lower service units for the airport of Roma Fiumicino actually generated compared with the planned figures in the performance plan (-5.4%); ii) the weather balance of the terminal first charging zone

equal to €177 thousand; iii) the balance capacity for the two terminal charging zones subject to the performance plan which included a target of 0.02 minutes delay for flight arrivals for reasons attributable to the Parent Company, for the five airports subject to the performance plan, the overall delay for reasons attributable to the ATM was 0.01 minutes creating an overall economic quantification of €213 thousand of which €82 thousand was for the first charging zone and €131 thousand was for the second charging zone.

14. Inventories

Inventories, mainly represented by spare parts, stood at €60,986 thousand, excluding the allowance for inventory losses, an increase of €91 thousand compared with the previous year on account of the lower number of acquisitions made in 2017 and the lesser use of operating systems. The change recorded in the year is represented below:

	31.12.2016	Increases	Decreases	31.12.2017
Fiduciary inventory	64,566	2,216	(2,096)	64,686
Direct inventory	4,588	600	(512)	4,676
Flight inspection inventory	743	0	0	743
	69,897	2,816	(2,608)	70,105
Allowance for inventory losses	(9,002)	(705)	588	(9,119)
Total	60,895	2,111	(2,020)	60,986

The increase of €2,111 thousand, net of the allowance for inventory losses, refers primarily to fiduciary inventory for the acquisition of spare parts for operating systems used in air navigation including spare parts for radar and luminous visual aids. Part of the increase equal to €552 thousand refers to parts of system classified as inventories from tangible assets. The decrease of €2,608 thousand gross of the allowance for inventory losses, regards uses of spare parts in operating systems.

The allowance for inventory losses is increased by €705 thousand due to the provision recognised for spare parts that have become obsolete in that they relate to systems that are no longer used, and decreased by €588 thousand following the disposal of spare parts already written down in previous years.

15. Other current assets

Other current assets totalled €11,669 thousand and a net decrease of €1,307 thousand was recorded in the year. The item breaks down as follows:

	31.12.2017	31.12.2016	Variation
Receivables from government entities for capital grants	3,397	3,995	(598)
Receivables from personnel	3,464	3,441	23
Receivables from various entities for projects funded	3,209	3,307	(98)
Accruals and deferrals	1,561	1,532	29
Other Receivables	3,073	3,756	(683)
	14,704	16,031	(1,327)
Bad debt provision	(3,035)	(3,055)	20
Total	11,669	12,976	(1,307)

The **receivables from government entities for capital grants** refers entirely to two projects funded by the Piano di Azione e Coesione (PAC) (Cohesion Action Plan) reported and not yet collected at 31 December 2017. The change for the year refers for €378 thousand to the adjustment of the receivable to the data reported which were presented most recently on 31 March 2017 and for €222 thousand to the collection of several projects.

The **receivables from personnel** refers to the travel advances paid to employees on business trip and not yet concluded at the end of the year, of which the significant part (€3,035 thousand) involves travel advances paid to former employees of the Parent Company, already the subject of an investigation by the judicial authorities and prudentially written down in previous years. Following rulings 745/2011 and 966/2012 of the Court of Accounts, which ordered the defendants to pay the sums, several recovery plans were defined for the recovery of the receivable. In 2017 €20 thousand was collected which reduced the provision. By way of guarantee, the conservative sequestration of one fifth of the pensions, the TFS fund and the TFR was carried out, as well as the sequestration of the bank accounts and for some parties also their property.

The **receivables from various entities for projects funded** totalling €3,209 thousand recorded a net decrease of €98 thousand through the collection of various European projects which were completed and reported and the co-financed portion for the year specifically regarding the 2020 SESAR project recorded.

Accruals and deferrals stood at €1,561 thousand and mainly refer to the fee paid to Banca Nazionale del Lavoro for granting a three-year committed line of credit to the Parent Company with effect from 1 January 2017 until 31 December 2019 for €462 thousand after allocating the portion pertaining to 2017 to the income statement under accruals on insurance premiums and charges pertaining to the next year.

16. Cash and cash equivalents

Details of cash and cash equivalents at 31 December 2017 are provided below:

	31.12.2017	31.12.2016	Variation
Bank and post office deposits	263,259	230,944	32,315
Cash and cash equivalents on hand	67	63	4
Total	263,326	231,007	32,319

Cash and cash equivalents stood at €263,326 thousand recording a net positive change of €32,319 thousand which, in addition to the dynamics of collections and payments connected with ordinary operations which produced a positive cash flow, was affected by the following events: i) the payment of the dividend of €95.3 million; ii) the payment to the Ministry of Economy and Finance of €64.9 million as the net amount of the payable for en-route collections and the receivable from exempt flights; iii) the payment of loans of €31.3 million; iv) the payment to the Italian Air Force of the portion of terminal collections pertaining to it for €15 million; v) the payment of the balance of the third and fourth instalments of the purchase price of the equity investment in Aireon for USD 22.9 million; vi) the payment of the balance and payments on account for IRES of €35.2 million. These outgoings were offset by the collections related to en-route and terminal institutional services and also collections received during the year referring to the €13.7 million repayment of the VAT receivable, prefinancing obtained for funded projects such as the Connecting Europe Facility, SESAR 2020 and other lesser amounts totalling €15.3 million, as well as the taking out of an €80 million loan from the EIB.

There are no restrictions on cash and cash equivalents that may limit their availability. Note that following the liquidation of the Consortium a portion of the cash and cash equivalents equal to €949.7 thousand was reclassified under assets held for sale referred to in Note 17.

17. Assets held for sale and associated liabilities

Assets held for sale at 31 December 2017 stood at €1,196 thousand (€1,056 thousand at 31 December 2016) and refer entirely to the Sicta Consortium in liquidation with the Consortium assets and directly associated liabilities classified in this item in 2016 according to the requirements of IFRS 5. In 2017 several elements emerged hindering the liquidation of the Sicta Consortium which meant it was not possible to complete the activities that will be probably defined within the next 12 months.

The book value of the net assets of the Consortium will be recovered through a liquidation process, considered highly likely following the recording of the liquidation resolution and the appointment of the liquidator in the Companies Register, which took place on 28 March 2017.

The assets held by the Consortium at 31 December 2017 as classified in the item in question are listed below:

	31.12.2017	31.12.2016	Variation
Non-current assets			
Tangible Assets	0	18	(18)
Total current assets	0	18	(18)
Current assets			
Inventories	18	0	18
Current trade receivables	68	50	18
Tax receivables	48	62	(14)
Other current assets	112	120	(8)
Cash and cash equivalents	950	805	145
Total current assets	1,196	1,037	159
Total assets	1,196	1,055	141

Classified under non-current assets in 2016 there was essentially plant and machinery as well as office equipment worth around €18 thousand. Following the launch of the liquidation proceedings, they were reclassified under inventories awaiting realisation.

Trade receivables of around €68 thousand were classified under current assets and recorded at a value representative of their likely realisation, tax receivables mainly for VAT totalling €48 thousand, receivables relating to contributions to Consortium projects of around €112 thousand and cash and cash equivalents comprising mainly positive balances in current bank accounts.

The balances classified under liabilities associated with assets held for sale at 31 December 2017 are illustrated below:

	31.12.2017	31.12.2016	Variation
Non-current liabilities			
Employee severance indemnity and other benefits	0	500	(500)
Total non-current liabilities	0	500	(500)
Current liabilities			
Current trade payables	14	85	(71)
Tax and social security payables	53	238	(185)
Other Current Liabilities	433	220	213
Total current liabilities	500	543	(43)
Total liabilities	500	1,043	(543)

The non-current liabilities includes the TFR and other employee benefits, equal to €500 thousand, was cancelled following the termination of employment relations at 31 October 2017.

Current liabilities include tax and social security payables of €53 thousand, down compared with 31 December 2016, taking into consideration the ending of employment relations at 31 October 2017.

Other current liabilities, equal to €433 thousand, refer, in the main, to the greater advances paid to the Consortium under SESAR 2020 projects by way of pre-financing, before these projects were assigned to the Group company to which the employees of the Consortium were transferred.

There was a positive net cash flow, attributable exclusively to operating activities for the year, equal to €145 thousand.

18. Shareholder's equity

The breakdown of Shareholders' equity at 31 December 2017 which stood at €1,119,965 thousand is given below.

	31.12.2017	31.12.2016	Variations
Share capital	541,744	541,744	0
Legal reserve	21,938	18,368	3,570
Other reserves	436,815	436,359	456
Translation reserve	3,422	9,163	(5,741)
IAS FTA reserve	(727)	(727)	0
Reserve for actuarial gains/(losses) for employee benefits	(10,153)	(10,258)	105
Cash Flow Hedge reserve	2,017	2,849	(832)
Retained earnings/(accumulated losses)	23,411	45,983	(22,572)
Profit (loss) for the year	101,498	76,345	25,153
Total Group Shareholders' Equity	1,119,965	1,119,826	139
Share capital and reserves attributable to minority interest	0	0	0
Profit/(loss) attributable to minority interest	0	0	0
Total minority interest in Shareholders' Equity	0	0	0
Total Shareholders' Equity	1,119,965	1,119,826	139

The **Share capital** is made up of 541,744,385 ordinary shares with no par value, with 53.28% owned by the Ministry of Economy and Finance and 46.72% owned by institutional and individual shareholders. At 31 December 2017 all the shares were subscribed and paid up, no preferred shares were issued and the Parent Company does not possess treasury shares.

The **Legal reserve** is the part of profits which, according to the provision of Article 2430 of the Civil Code, cannot be distributed by way of dividends. In 2017, in conformity with the resolution of the Shareholders' Meeting held on 28 April 2017, during the approval of the 2016 financial statements, 5% of Enav S.p.A's profit for the period, equal to €3,570 thousand, was allocated to the legal reserve.

The **Other reserves** included €36.4 million for the capital grants reserve received in the period 1996/2002 reported excluding the taxes that were discharged and therefore the reserve became available, from the allocation of €400 million of the voluntary share capital reduction and €456 thousand from the reserve dedicated to the Group management long-term incentive plan in free shares.

The **Translation reserve for financial statements in foreign currency** involves exchange rate differences from the conversion into euros of the financial statements of companies operating in currencies other than the euro.

The **IAS first time adoption (FTA) reserve** includes differences in the values of asset and liability items recorded upon first time adoption of international accounting standards.

The **Reserve for actuarial gains/(losses) for employee benefits** includes the effects of actuarial changes in employee severance indemnity, net of the tax effect. The change relates to the actuarial gain at 31 December 2017.

The **Cash flow hedge reserve** includes the valuation at fair value of the hedging derivative financial instruments which recorded a negative net change in the year of €832 thousand mainly through the conclusion of the derivative associated with the exchange rate changes for the purchase of USD, a transaction concluded in 2017.

Retained earnings/(accumulated losses) include the results of previous years from companies entering the scope of consolidation and from consolidation adjustments applied. The change for the year is mainly attributable to the distribution of the 2016 dividend approved by the Shareholders' Meeting of 28 April 2017 totalling €95.3 million (€0.176 per share) including amounts taken from the profits relating to previous years of €27.5 million.

The consolidated profit for the year stood at €101,498 thousand.

The reconciliation between the Parent Company's shareholders' equity and the consolidated shareholders' equity is provided in the table below.

		31.12.2017		31.12.2016
	Profit/(Loss)	Shareholders'	Profit/(Loss)	Shareholders'
	for the year	Equity	for the year	Equity
Parent Company	94,505	1,141,670	71,404	1,142,863
Consolidation difference amortisation	0	(29,721)	0	(29,721)
Elimination of intercompany economic effects	(320)	(21,268)	(271)	(20,948)
Deferred tax on elim. intercompany economic effects.	92	6,122	81	6,030
Conversion reserve	0	3,422	0	9,163
Employee benefits reserve and FTA reserve	0	(694)	0	(758)
Other effects	(16)	0	0	0
Profit for the year attributable to subsidiaries	7,237	20,434	5,131	13,197
Group totals	101,498	1,119,965	76,345	1,119,826

Capital management

The objectives identified by the Group under the scope of capital management are the creation of value for stakeholders and supporting the development of the Group in the long-term. Specifically, the Group continues to maintain an adequate level of capitalisation which allows it to guarantee access to external sources of funding, at the same time trying to optimise the cost of debt, the creation of an acceptable economic return for shareholders which makes it possible to adequately support the development of Group activities. In this context the Group manages financial solidity and takes into account economic conditions and the requirements of financial covenants.

19. Provisions for risks and charges

Provisions for risks and charges amounted to €9,480 thousand, of which the portion classified in current liabilities totalled €2,209 thousand, and changed as follows during the year:

	31.12.2016	Increases	Absorption to profit and loss	Decreases	31.12.2017
Provisions for disputes with personnel	2,522	0	(324)	(216)	1,982
Provisions for other pending litigations	1,296	0	(377)	(9)	910
Other risks provision	7,211	0	0	(623)	6,588
Total provisions for risks and charges	11,029	0	(701)	(848)	9,480

The **Risk provision for disputes with personnel**, the short-term portion of which stood at €397 thousand, includes the liabilities that could emerge following employment disputes of various kinds. The provision was reduced by a total of €540 thousand of which €216 thousand was for the ending of disputes through conciliation with the opposing parties and €324 thousand resulted from the liabilities identified in the past by the Group ceasing to exist. At 31 December 2017 the total value of legal claims relating to on-going disputes for which Group lawyers have deemed the risk of a loss to be possible is €1.2 million.

The **Risk provision for other pending litigation**, the short-term portion of which is €20 thousand, includes likely liabilities for disputes of various natures with suppliers and third parties. The provision decreased by a total of €386 thousand following the settlement of several disputes with a favourable outcome for the Group. At 31 December 2017, estimated costs relating to on-going disputes for which Group lawyers have deemed the risk of a loss to be possible amounted to €2.3 million.

The item **Other risk provision**, the short-term portion of which was €1,792 thousand, includes the liabilities that the Group could incur in disputes with suppliers with regard to contracts that have been terminated and the future use of assets classified under tangible assets under construction. The decrease in the year of €623 thousand refers to the concession to use frequencies in non-aeronautical bands, connected with execution of air navigation control services provided by the Parent Company, granted for use free of charge by the Ministry of Economic Development (MISE) until 31 December 2015 and against payment from 1 January 2016. Specifically, when preparing the financial statements at 31 December 2016, pending the definition of the framework applicable to the above-mentioned frequencies, a decision was taken to set aside a sum of €623 thousand. After the discussions between the Parent Company and the other competent bodies, this amount was reclassified under other current liabilities because the amount was recognised as due accepting a 40% reduction in conformity with Article 32, paragraph 9, letter f) of Annex 25 of the Communications Code (Legislative Decree 259/03).

20. Employee severance indemnity and other employee benefits

Employee severance indemnity and other employee benefits amounted to €55,636 thousand, and consisted of the provision for employee severance indemnity governed by Article 2120 of the Italian Civil Code, which includes the estimated obligation, determined in accordance with actuarial techniques, for amounts to be paid out to Enav Group employees upon termination of their employment.

The liability for employee severance indemnity and other employee benefits changed as follows during the year:

	31.12.2017	31.12.2016
Liabilities for employee benefits at the beginning of the year	57,388	58,068
Interest cost	729	851
Actuarial (gains)/Losses on defined benefits	(138)	2,013
Advance payments, disbursements and other variations	(2,343)	(3,544)
Liabilities for employee benefits at the end of the year	55,636	57,388

The financial component of the allocation equal to €729 thousand was recorded in financial expenses. The utilisation of €2,343 thousand of the provision for employee severance indemnity resulted from amounts paid out to personnel leaving the group during the year, advances disbursed to personnel who so requested and, to a small extent, the direct monthly payment of employee severance indemnity as a supplement to remuneration (“QU.I.R.”) in compliance with what is established in the 2015 Stability Law, for personnel who exercised this option.

The difference between the value of the expected provision at the end of observation period and the expected present value of the benefits payable in the future, recalculated at period end on the basis of the updated assumptions, constitutes actuarial gains (losses). In 2017 this calculation generated actuarial gains of €138 thousand.

The main actuarial assumptions applied in the calculation of the employee severance indemnity (TFR) are summarised below:

	31.12.2017	31.12.2016
Discount rate	1.30%	1.31%
Inflation Rate	1.50%	1.50%
Severance indemnity annual increase rate	2.625%	2.625%
Expected turnover rate	4.00%	4.00%
Expected rate of advance payments	2.50%	2.50%

The discounting rate used for calculating the present value of the obligation was calculated, consistent with paragraph 83 of IAS 19, from the IBoxx Corporate AA Index with a duration of 10+ recorded at the measurement date and commensurate with the average length of the collective subject to evaluation. The inflation rate curve was calculated on the basis of the current economic situation where the majority of economic indicators are particularly volatile. The annual rate of increase in employee severance indemnity is equal to 75% of inflation plus 1.5 percentage points in compliance with Article 2120 of the Italian Civil Code.

The technical and demographic assumptions used in the valuation are reported below.

	31.12.2017	31.12.2016
Death	IPS55	IPS55
Incapacity	INPS tables by age and sex	INPS tables by age and sex
Retirement	100% reaching the requirements of mandatory general insurance	100% reaching the requirements of mandatory general insurance

The sensitivity analysis of the TFR compared with the change in the main actuarial theories is given below.

	Liabilities for defined benefits for Group employees	
	31.12.2017	31.12.2016
Turnover rate + 1%	55,385	57,082
Turnover rate -1%	56,036	57,809
Inflation rate + 0.25%	56,482	58,275
Inflation rate - 0.25%	54,919	56,593
Discount rate + 0.25%	54,453	56,091
Discount rate - 0.25%	56,979	58,811

The average financial duration of the obligation for defined benefit plans is 10.8 years.

A table is provided below of the disbursements expected in subsequent years drawn from the provision for employee severance indemnity.

	Payments expected
within 1 year	4,109
between 1 to 2 years	2,867
between 2 to 3 years	3,350
between 3 to 4 years	3,401
between 4 to 5 years	3,108

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 included under current financial liabilities inclusive of interest expenses recognised on an accrual basis; ii) the bond issued by the Parent Company on 4 August 2015, with interest expenses accrued for 2017 included under current liabilities.

The values at 31 December 2017 compared with those at 31 December 2016 and the relative changes are shown below:

	31.12.2017		31.12.2016		Variations	
	<i>current portion</i>	<i>non-current portion</i>	<i>current portion</i>	<i>non-current portion</i>	<i>current portion</i>	<i>non-current portion</i>
Bank loans	29,044	170,670	31,208	119,623	(2,164)	51,047
Bond	1,418	180,000	1,414	180,000	4	0
Derivatives	0	0	0	104	0	(104)
Total	30,462	350,670	32,622	299,727	(2,160)	50,943

The table below shows the breakdown of net financial indebtedness at 31 December 2017 compared with the previous year, in accordance with the requirements of the Consob Communication of 28 July 2006 and in compliance with what is established in the recommendation ESMA/2013/319 of 20 March 2013.

	31.12.2017	of which with related parts	31.12.2016	of which with related parts
(A) Cash	263,326	0	231,007	0
(B) Other cash equivalents	0	0	0	0
(C) Trading securities	0	0	0	0
(D) Liquidity (A)+(B)+(C)	263,326	0	231,007	0
(E) Current financial receivables	0	0	0	0
(F) Current financial debt	0	0	0	0
(G) Current portion of non-current indebtedness	(30,462)	(1,664)	(32,622)	(3,313)
(H) Other current financial debt	0	0	0	0
(I) Current financial debt (F)+(G)+(H)	(30,462)	(1,664)	(32,622)	(3,313)
(J) Net current financial indebtedness/Liquidity (D)+(E)+(I)	232,864	(1,664)	198,385	(3,313)
(K) Non-current bank loans	(170,670)	0	(119,623)	(1,661)
(L) Bonds issued	(180,000)	0	(180,000)	0
(M) Other non-current loans	0	0	0	0
(N) Non-current financial indebtedness (K)+(L)+(M)	(350,670)	0	(299,623)	(1,661)
(O) CONSOB Net Financial Indebtedness (J)+(N)	(117,806)	(1,664)	(101,238)	(4,974)
(P) Derivatives current and non-current	325	0	1,117	0
(Q) ENAV Group Net Financial Indebtedness (O)+(P)	(117,481)	(1,664)	(100,121)	(4,974)

Bank loans at 31 December 2017 included a net positive change of €48,883 thousand following both the utilisation of the second instalment of the loan signed with the EIB in 2014 for a total contractual amount of €180 million, of which €100 million was drawn down in 2014 and €80 million was drawn down in December 2017, and repayments that were made during the period and the effects associated with the amortised cost. Specifically, repayments concerned the following loans:

- the repayment of two half-year instalments of the loan from Unicredit S.p.A. totalling €8,000 thousand due 30 November 2018;
- the repayment of two half-year instalments of the loan from Unicredit S.p.A. totalling €20,000 thousand due 30 June 2018;
- the repayment of two half-year instalments of the loan from Medio Credito Centrale for €3,333 thousand, due 31 May 2018.

The residual portions of the above-mentioned loans, to be repaid in 2018 in line with the amortisation plans, are presented under current liabilities totalling €19,619 thousand plus the half-year instalments of the loan from the EIB for €9,425 thousand.

At 31 December 2017, the Group had unused short-term credit lines totalling €222.5 million including committed lines of €70 million and uncommitted lines of €152.5 million, in addition to the share of the EIB loan of €70 million not yet used, resulting in available liquidity of €292.5 million.

The table below contains the analysis of the loans with the general conditions for each individual Group credit relationship with regard to the lenders. With regard to advances from the financial institutions Unicredit and Intesa San Paolo, note that the conditions applied are agreed from time to time and reflect the market situation.

Lender	Type	Amount granted	Amount used (nominal value)	Amount available	Book value	Rate
BNL - BNP Paribas	Acc. credit - overdraft	24,000	0	24,000	0	Euribor +1.90
BNL - BNP Paribas	Committed credit line	70,000	0	70,000	0	Euribor +0.30
Medio Credito Centrale	Medium and long term to 5 years	10,000	10,000	0	1,664	Euribor +1.90
Unicredit	Export advance payments	15,000	0	15,000	0	Euribor +1.80
Unicredit	Import advance payments	10,000	0	10,000	0	Euribor +1.80
Unicredit	Financial advance payments	46,000	0	46,000	0	Euribor +1.80
Intesa San Paolo	Financial advance payments	55,000	0	55,000	0	Euribor +0.25
Intesa San Paolo	Acc. credit - overdraft	2,500	0	2,500	0	Euribor +1.50
Unicredit	Medium and long term to 5 years	40,000	40,000	0	7,978	Euribor +0.34
Unicredit	Medium and long term to 5 years	100,000	100,000	0	9,977	Euribor +0.34
EIB - European Investment Bank	Medium and long term to 15 years	250,000	180,000	70,000	180,095	Fixed rate +1.515/+1.010
Total		622,500	330,000	292,500	199,714	

The average interest rate on bank loans in the reference period was 1.56% basically in line with the rate for the previous year (1.58%).

On 4 August 2015, the Parent Company issued a bond for a nominal value of €180 million, which is listed on the Luxembourg Stock Exchange's regulated market and has a duration of seven years and full repayment at maturity (4 August 2022). The bond issue involves the payment of a postponed annual coupon to a fixed extent of 1.93% of the nominal value. The portion of interest for the year stood at €3,474 thousand of which the portion not delivered equal to €1,418 thousand was classified in current liabilities.

In relation to the disclosure required pursuant to IFRS 7, it should be noted that the fair value of the bond issue, understood as the price that would be paid for the transfer of liabilities as part of an ordinary transaction conducted between market operators, was estimated at €191.17 million at the valuation date.

The Group estimated the fair value on the basis of the prices and returns observed on the market for debt instruments with maturities and risk profiles similar to those in question, using the market data obtained from a leading information provider for the establishment of the z-spread using in the establishment of the discounting curve.

The item non-current financial liabilities was zeroed at 31 December 2017 because the fair value of the derivative financial instrument entered into by the Parent Company was positive at 31 December 2017. The derivative was reported under the scope of current financial assets maturing in 2018.

In conformity with the changes that took place from 1 January 2017 to IAS 7, the table below highlights the non-monetary changes that took place in the year with reference to the amortised cost and the changes in the fair value of the derivative financial instrument.

	01.01.2017	Variation deriving from cash-flow from financing activities		Fair value variations	Other variations	31.12.2017
		<i>New</i>				
		<i>disbursement</i>	<i>Repayments</i>			
Financial liabilities						
Bank loans	150,831	80,000	(31,333)	0	216	199,714
Bond	181,414	0	0	0	4	181,418
Derivatives	104	0	0	(104)	0	0
Total	332,349	80,000	(31,333)	(104)	220	381,132

22. Current and non-current trade payables

Current trade payables stood at €130,854 thousand, a decrease of €1,658 thousand compared with the previous year following the changes that took place in the items in the table below:

	31.12.2017	31.12.2016	Variation
Current trade payables			
Payables to suppliers	100,648	115,330	(14,682)
Payables for advance payments received for projects financed in Europe	13,715	10,558	3,157
Balance payable	16,491	6,624	9,867
Total	130,854	132,512	(1,658)
Non-current trade payables			
Balance payable	23,648	16,769	6,879
Total	23,648	16,769	6,879

Payables to suppliers for goods and services necessary for the activities of the Group were down by €14.7 million due to both the greater payments made during the year compared with 31 December 2016 with regard to investment projects and to the application of the split payment mechanism, with effect from 1 July 2017, which resulted in a payable to suppliers represented by the taxable amount only without tax.

The item payables for advance payments received for projects financed in Europe, which stood at €13,715 thousand, recorded a net increase of €3,157 thousand compared with 31 December 2016, and includes: i) the pre-financing contributions received for the *Connecting Europe Facility* (CEF) project, financed 50% with reference to 2015 and the interim payment for the 2014 CEF project collected after the reporting in 2016 for the 2014 and 2015 period, for a total of €10 million; ii) the collection of the final contributions for various funded projects including Free Solution and Blue GNSS; iii) pre-financing contributions received

under the SESAR 2020 project launched at the end of 2016 and broken down into various projects for €3.8 million and passed on to the participants of the project as far as their responsibility is concerned.

The balance payables for the Eurocontrol come to a total of €40,139 thousand, including the part classified in current payables equal to €16,491 thousand and corresponding to the amount that will be allocated to the income statement in 2018 in conformity with what has taken place in the area of charging. The amount classified in non-current trade payables refers, gross of the discounting effect, to the balances recorded in 2017 mainly relating to: i) the en-route inflation balance for €13,491 thousand (€13,140 thousand in 2016) calculated through the planned costs for 2017 with the knock-on effect from the beginning of the performance plan which took effect in 2015 in conformity with the charging mechanism, the inflation percentage expected in the performance plan compared with the actual figure, which in both cases was equal to 1.30%; ii) the terminal inflation balance for both the first and second charging zones, calculated using the same methodology as for the en-route, equal in total to €2,251 thousand (€2,239 thousand in 2016); iii) the traffic balance for the terminal second charging zone for €2,530 thousand following the greater service units actually recorded compared with the planned data of 3.9%; iv) the balance for the third charging zone calculated using a cost recovery logic which stood at €5,167 thousand following the difference between actual costs and revenues compared with the planned figures. Overall, there was a net increase for this item of €16,746 thousand, compared with 31 December 2016, which mainly referred to the increased balance payables in 2017, including the third charging zone terminal balance which in 2016 was positive following the use of a lower charge than the natural one applied at the request of the Ministry of Economy and Finance and the Ministry of Infrastructure and Transport in connection with the contribution later disbursed in 2017.

23. Other current and non-current liabilities

Other liabilities include the items laid out in the table below, broken down into current and non-current:

	31.12.2017		31.12.2016		Variations	
	current portion	non-current portion	current portion	non-current portion	current portion	non-current portion
Deposit payment	72,195	0	80,532	0	(8,337)	0
Other payables	52,784	0	87,359	0	(34,575)	0
Accruals and deferrals	8,123	106,253	8,913	111,884	(790)	(5,631)
Total	133,102	106,253	176,804	111,884	(43,702)	(5,631)

Deposit payment totalled €72,195 thousand, including €68,701 thousand referring to the Parent Company payable to the Italian Air Force (AMI) for the portion of collections received in 2017 for en-route and terminal services and €3,494 thousand for the payable to ENAC for collections concerning the same services. The net decrease recorded in the year of €8,337 thousand was attributable to the following events: i) the offsetting of the AMI en-route payments on account recorded at 31 December 2016 for

€66,057 thousand with the receivable due with regard to the Ministry of Economy and Finance (MEF) equal to €13,299 thousand and the recording of the payable to the MEF of €52,758 thousand in the item other payables paid later; ii) the payment to the Air Force of collections with reference to terminal services of €15,029 thousand; iii) the payment of the 2016 share pertaining to ENAC of €4,742 thousand; iv) the amounts accrued at 31 December 2017 pertaining to AMI and ENAC totalling €77,491 thousand.

Other payables which stood at €52,784 thousand recorded a net decrease of €34,575 thousand and referred mainly to the payment of the payable due to the MEF totalling €64,959 thousand which took place at the end of 2017, with the payable recorded at 31 December 2016 as €38,201 thousand increased during the year by €52,758 thousand, following the portion pertaining to 2016 as commented on previously, and reduced by €26 million in conformity with the provisions of Article 51 of Legislative Decree No. 50/2017 converted through Law No. 96 of 21 June 2017 which, in order to keep down the charging increases planned in the 2016 - 2019 programme contract for the third charging zone, allocated €26 million through the cancellation of part of the payable to the MEF recorded in previous years. The item in question also mainly includes payables to personnel for the allocations equal to a total of €39,035 thousand (€36,473 thousand at 31 December 2016) and involves both the payable for leave accrued but not taken equal to €15,135 thousand and the allocation of personnel costs totalling €23,900 thousand; the payable to the supplementary pension fund of €8,866 thousand, in line with the previous year, which were paid in the first months of 2018 to company pension funds such as Prevaer and Previndai and the other funds chosen by employees.

Accruals and deferrals mainly includes deferred income involving specifically: i) NOP contributions for networks and mobility relating to the periods 2000/2006 and 2007/2013 regarding specific investments made in southern airports, for a residual amount equal to €40,542 thousand (€48,065 thousand at 31 December 2016) which recorded a decrease in the year of €7,523 thousand which refers for €7,147 thousand to the reversal to the income statement of the portion for the year connected to the amortisation and depreciation of the investments to which the contributions refer and for €376 thousand to the share of the PAC contribution not accounted for by 31 March 2017. The short-term portion stood at €5,399 thousand and involved the amount which will be repaid to the income statement over the next 12 months; ii) capital grants account under the investments for military airports, pursuant to the provisions of Law 102/09, equal to €63,583 thousand (€65,263 thousand at 31 December 2016) which recorded a decrease of €1,680 thousand through the reversal to the income statement of the portion pertaining to the year for the modernisation of the technological systems at the airport of Verona Villafranca and for the operations carried out at the airports of Verona, Comiso, Roma Ciampino, Treviso, Brindisi and Rimini. The current portion totals €1,782 thousand; iii) other capital grants of €5,094 thousand (€5,399 thousand at 31 December 2016) which refers mainly to European loans obtained under the scope of TEN-T; iv) the contributions related to the investment projects funded through the 2014 CEF project for an amount of

€5,105 thousand (€1,945 thousand at 31 December 2016) which recorded a net positive change of €3,160 thousand for the balance of the interim payment collected in 2017 equal to €3,822 thousand minus the share of the contribution pertaining to the year equal to €662 thousand. The current portion stands at €662 thousand.

24. Tax and social security payables

Tax and social security payables amounted to €39,381 thousand and are broken down as shown in the table below.

	31.12.2017	31.12.2016	Variation
Tax payables	14,128	15,289	(1,161)
Social security payables	25,253	27,413	(2,160)
Total	39,381	42,702	(3,321)

Tax payables fell by €1,161 thousand and refer mainly to the IRES payable of €6,107 thousand, an amount excluding the payments on account made during the year and the withholdings involving employees paid in January 2018.

The **Social security payables** includes both social security expenses accrued relating to employees for December 2017 and paid in the following month and the share of contributions on personnel costs measured at €13,430 thousand in total (€14,477 thousand at 31 December 2016).

Notes to the consolidated income statement

25. Revenues from operations and for balances

Revenues from operations and balance revenues, also relating to operations, amounted to €863,161 thousand and negative €17,223 thousand respectively, and rose by €56,751 thousand and fell by €33,651 thousand respectively. The table below contains details of the individual items that make up revenues from operations:

	2017	2016	Variations	%
En route revenues	615,331	583,297	32,034	5.5%
Terminal revenues	219,554	195,275	24,279	12.4%
En route and terminal exemptions	13,930	13,201	729	5.5%
Revenues from non-regulated market	14,346	14,637	(291)	-2.0%
Total revenues from operations	863,161	806,410	56,751	7.0%

En route revenues came to €615,331 thousand, up by 5.5% compared with the previous year, corresponding to €32,034 thousand for the increase in service units during the year up 4% compared with the 2016 actual figure (+1.7% 2016 compared with 2015) with reference to all types of air traffic (domestic, international and overflight) with the charge applied basically unchanged compared with 2016 which stood at €80.00 (€80.08 in 2016).

Terminal revenues amounted to €219,554 thousand and recorded an increase of 12.4% compared with the previous year, corresponding to €24,279 thousand both following the charges applied, and following the differing trend of service units at individual airports classified by different charging zones, which overall stood at +3.1% compared with the 2016 figure (+3.6% for 2016 compared with 2015) with a negative performance for the first charging zone and a positive performance for the other two zones.

Specifically, the first charging zone, which refers to Roma Fiumicino Airport (zone 1), recorded lower traffic managed, expressed in service units, of -3.5% (+1.7% for 2016 compared with 2015) because it suffered greatly from the difficulties which Alitalia finds itself in. Added to this effect is the 6.07% rate reduction in 2017 which resulted in a charge of €188.57 compared with €200.68 in 2016. The second charging zone, which refers to the airports Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio, recorded an increase in air traffic managed which, in terms of service units, was equal to +4.4% compared with 2016 (+5.1% for 2016 compared with 2015), a performance which partly offset the lower revenue from the 10.02% rate reduction in 2017, with a rate of €209.95 compared with €233.33 in 2016. The third charging zone, which includes 40 medium and low traffic airports, recorded an increase, compared with 2016, in managed air traffic, expressed in service units, of +6.1% (+3.7% for 2016 compared with 2015) and benefits from both revenue from the airports of Comiso and Rimini, which came under the management of the Parent Company with effect, respectively from September and November 2016, and the 24.08% rate

increase applied in 2017 through a rate of €323.79 compared with €260.96 in 2016 when there was a contribution from the Ministry of Economy and Finance (MEF) of €26 million.

Revenues related to **en-route and terminal exemptions** stood, respectively, at €11,200 thousand (€10,856 thousand in 2016) and €2,730 thousand (€2,345 thousand in 2016) recording an increase, respectively, in terms of service units, of +2% (-4% for 2016 compared with 2015) and a decrease of -0.6% (-13.1% for 2016 compared with 2015) compared with the previous year and refer to exempt flights, mainly military ones.

Revenues from non-regulated market stood at €14,346 thousand, basically in line with the figure for the previous year, but up 5.6% if you exclude the €1 million present in 2016 from the acknowledgement and settlement agreement signed by the subsidiary Techno Sky with Leonardo S.p.A. after the arbitration proceedings which were concluded in May 2016. Revenue from the non-regulated market changed according to the type of service provided in the year with an increase in revenue for services provided abroad including: i) in the United Arab Emirates, for the restructuring of the airspace which generated revenue of €3.4 million; ii) in Malaysia for the Kuala Lumpur Air Traffic Control Center which generated revenues of €2.6 million; iii) in Libya, both for the construction of the control tower and the technical area of the Mitiga airport, a contract awarded at the end of March 2017 worth €5 million, and for the training of 60 Libyan air traffic controllers, with total revenue of €1.3 million; iv) in Saudi Arabia for flight inspection services with revenues of €1.8 million; v) in Morocco, for the study of instrument flight procedures and the restructuring of the air space, with revenue of €0.7 million. These activities made it possible to offset the reduction in revenue for *Air Traffic Services* provided by the Parent Company through direct contracts by €2.7 million including those which refer to the airport of Comiso, charged from September 2016 and previously managed under a direct agreement and for tower services for the airport of Crotona following the end of the temporary exercising at the end of October 2016 and as a result of the closure of the airport. The **Balance** charge adjustments, also part of the Parent Company's operations, totalled -€17,223 thousand and were calculated on the basis of the items listed in the following table:

	2017	2016	Variations
Balance charge adjustments for the year	6,967	32,138	(25,171)
Discounting effect	(107)	(777)	670
Balance changes	(2)	(185)	183
Balance utilisation	(24,081)	(14,748)	(9,333)
Total Balance	(17,223)	16,428	(33,651)

The **Balance charge adjustment for the year** represents the increase in the charge deriving from actual traffic volumes and/or costs compared with the values planned upon determination of the charge before their adjustment to *fair value* resulting from the effect of discounting and refer for €15,551 thousand to en-route (€14,596 thousand for 2016) and for -€8,584 thousand to terminal (€17,542 thousand for 2016).

The en-route balances recorded in the year mainly refer to: i) the balance for traffic risk and the portion not recovered for balances recorded in previous years and included in 2017 charges totalling €21,829

thousand (€20,880 thousand in 2016) reported following lower en-route service units actually generated compared with the projections in the performance plan (-6.2%); ii) a weather balance of €949 thousand (€913 thousand in 2016); iii) the balance for the bonus for reaching the target in the plan related to the en-route capacity of €6,265 thousand (€5,941 thousand in 2016); iv) the inflation balance negative by €13,491 thousand (€13,140 thousand in 2016) as the effect resulting for the charging calculation mechanism which includes a knock-on effect by calculating the value from the first year of the performance plan (2015) in the presence of recorded inflation of 1.30% in line with the projections in the plan for that year.

Overall, the figures for the terminal balances, by charging zone, are: i) a positive balance for the first charging zone totalling €296 thousand (-€771 thousand in 2016), as the net effect between a traffic risk balance of €978 thousand following lower service units actually generated compared with the planned data (-5.4%), a negative balance as the result of inflation of €917 thousand (€913 thousand in 2016) and the balance for the bonus based on the terminal kpi capacity of €82 thousand (€169 thousand in 2016); ii) a negative balance for the second charging zone totalling €3,712 thousand (€2,513 thousand in 2016) regarding a traffic balance returned to carriers as a result of the increased managed traffic actually generated compared with the forecasts in the performance plan (+3.9%), a negative inflation balance of €1,334 thousand (€1,326 thousand in 2016) and the capacity bonus of €131 thousand (€262 thousand); iii) a reimbursed balance for the third charging zone, calculated using a cost recovery logic, negative by €5,167 thousand (+€20,825 thousand in 2016) on account of the difference between actual costs and revenues compared with the projected figures in charges.

The overall change, negative for €25,171 thousand, for balance charge adjustment for the year is mainly due to the balance for the third charging zone which created a positive effect in 2016 when a lower charge than the natural one was applied while awaiting the contribution from the MEF which was received in 2017.

The **discounting effect**, equal to €107 thousand, is derived from the separation of the financial component inherent in the balance mechanism, carried out by discounting the balances generated during the year in accordance with a pre-defined recovery plan.

The **balance changes**, negative by €2 thousand, include the difference between Eurocontrol costs stated during performance and the actual figures for 2016. These costs, as declared by the European Commission, are considered as exempt from the cost sharing mechanism pursuant to EU regulation 391/2013 and are repaid or demanded by the carriers.

The **balance utilisations** of €24,081 thousand refers to the transfer to charges and therefore to the income statement of the portion of en-route and terminal balances recognised in previous years in compliance with what was done upon determination of the charge for 2017.

26. Other operating income

Other operating income stood at €45,617 thousand, a fall of €6,563 thousand compared with the previous year and mainly refer to European funding which in 2016 contained operating grants under the 2014 Connecting European Facility project reported as €5.5 million.

Other operating income breaks down as follows:

	2017	2016	Variations
Capital grants	9,731	9,747	(16)
Operating grants	30,224	30,673	(449)
European funding	2,801	9,339	(6,538)
Other revenues and income	2,861	2,421	440
Total	45,617	52,180	(6,563)

Capital grants regard the recognition in the income statement of part of deferred income in proportion with the depreciation charged on the assets to which the grant refers, as discussed in Note 23.

Operating grants refer for €30 million to the amount recognised to the Parent Company pursuant to Article 11 septies of Italian Law 248/05, in order to offset costs incurred to guarantee system safety and operational security. The remaining part equal to €224 thousand refers to the training funded by Fondimpresa.

European funding, refer to operating grants and involve the recording in the income statement of the portion pertaining to the Group relating to European funded projects subject to reporting or closed, including, in 2017, the 2020 SESAR project which began for operational purposes in 2017 and other European projects concluded and/or reported such as Blue GNSS, Artek, Beyond.

Other revenues and income mainly include insurance repayments for claims made by third-parties and the penalties applied to suppliers for delays in the delivery of goods and/or the provision of services compared with the contractually agreed deadlines.

The details of the revenues for the years 2017 and 2016 broken down by geographical area are given below:

Revenues	31.12.2017	% on revenues	31.12.2016	% on revenues
Italy	880,162	98.7%	867,945	99.2%
EU	782	0.1%	730	0.1%
Non-EU	10,610	1.2%	6,343	0.7%
Total revenues	891,554		875,018	

27. Costs for goods, for services, use of third-party assets and other operating expenses

The costs for goods, services, use of third-party assets and other operating expenses stood in total at €148,940 thousand, down €12,591 thousand compared with the previous year, with no costs related to the

privatisation process which, in 2016, weighed in at €7.5 million, highlighting a widespread reduction in various cost items which offset the greater costs incurred as a listed company.

The details of the above-mentioned costs and related changes during the period are reported in the table below:

	2017	2016	Variations
Costs for the purchase of goods	7,779	8,960	(1,181)
Costs for Services:			
Maintenance costs	20,498	21,506	(1,008)
Costs for Eurocontrol contributions	37,683	41,368	(3,685)
Costs for utilities and telecommunications	37,803	36,170	1,633
Costs for insurance	2,712	5,194	(2,482)
Cleaning and security	4,830	5,356	(526)
Other personnel-related costs	9,821	10,206	(385)
Professional services	9,977	11,049	(1,072)
Other costs for services	7,211	11,545	(4,334)
Total costs for services	130,535	142,394	(11,859)
Costs for the use of third-party assets	5,632	6,081	(449)
Other operating expenses	4,994	4,096	898
Total	148,940	161,531	(12,591)

Costs for the purchase of goods include costs incurred for the acquisition of spare parts for air traffic control systems and equipment and the relative change in inventories as well as the acquisition of the materials needed for airport site renovation and modernisation activities. The decrease in the year is attributable to both the fewer acquisitions during the year and the reduction in the use of spare parts which generated, including the allowance losses of obsolete parts, a negative change in inventories of €457 thousand (€1,549 thousand in 2016).

Costs for services recorded a net decrease of €11,859 thousand with different trends for different expense types. Specifically, note: i) a decrease in maintenance costs of €1,008 thousand mainly attributable to the activities carried out by Techno Sky at various airport sites following the conclusion of several activities and greater insourcing of work compared with outsourcing to suppliers; ii) lower Eurocontrol contribution costs of €3,685 thousand in conformity with the data approved and communicated by the latter and due for activities carried out for en-route services and where the Parent Company does not have any power to intervene. This amount, however, is recovered under charging through the balance mechanism; iii) an increase in costs for utilities and telecommunications of €1,633 thousand which refers to both higher energy tariffs in 2017 and from the increased scope of airport sites compared with 2016 with the quantification of energy costs related to military airports opened to civil traffic where the management was transferred to the Parent Company; iv) lower insurance costs of €2,482 thousand which benefited from the savings associated with the new contracts agreed which took effect from 1 July 2016; v) the decrease of €526 thousand in cleaning and security on account of new cleaning contracts agreed with effect from March 2017 at lower prices; vi) lower costs for professional services of €1,072 thousand which mainly refer

to the costs associated with the privatisation in 2016; vii) the reduction by €4,334 thousand in other costs for services which in 2016 contained the advertising costs for the privatisation.

Costs for **third-party assets** fell by €449 thousand mainly as a result of the conclusion of a rental agreement by the Parent Company following the end of work at the new offices at the Roma Ciampino Area Control Center.

Other operating expenses recorded a net increase of €898 thousand both through the recording of costs not present in 2016 with reference to the use of radio-frequencies in non-aeronautical bands and the capital loss generated by the decommissioning of technological equipment than can no longer be used and the cancellation of costs that emerged in 2016 related to the arbitration proceedings between Techno Sky and Leonardo S.p.A.

28. Personnel costs

Personnel costs stood at €478,421 thousand and were essentially in line with the previous year.

	2017	2016	Variations	%
Wages and salaries, of which:				
Fixed remuneration	274,822	276,012	(1,190)	-0.4%
Variable remuneration	65,988	61,986	4,002	6.5%
Total wages and salaries	340,810	337,998	2,812	0.8%
Social security contributions	109,427	110,263	(836)	-0.8%
Employee severance indemnity	21,921	22,066	(145)	-0.7%
Other costs	6,263	7,807	(1,544)	-19.8%
Total Personnel costs	478,421	478,134	287	0.1%

Wages and salaries recorded an overall net increase of 0.8% standing at €340,810 thousand with different trends for the different components: i) a decrease in fixed remuneration of 0.4% following various effects including lower costs generated by the reduction in the Group headcount, compared with the previous year, corresponding to 46 average units and 52 effective units, with a headcount at the end of 2017 of 4,181 units (4,233 units in 2016) which more than offset the increase in costs related to the possible effects resulting from the renewal of the contract which expired at the end of 2016 and the natural increase in remuneration (also including seniority-linked increases); ii) the 6.5% increase in variable remuneration mainly on account of overtime on the operating line linked to increased CTA (Air Traffic Controller) personnel training for the implementation of the free route platform, a project that involved Parent Company operating personnel from the end of 2016; the variable result premium which in 2017 also included the share pertaining to the 2017-2019 Performance Share plan approved by the Shareholders' Meeting of 28 April 2017 which was implemented following the approval of the Regulation by the Board of Directors on 11 December 2017. (For more details, refer to Note 34); the reduction of the training missions for training CTAs at low traffic airports which affected the previous year.

Social security costs fell by 0.8% compared with 2016 as the ceiling for annual welfare contributions for employees hired after 1996 was reached above which the rate is reduced from 36% to 2.27%.

Other costs for personnel decreased by 19.8% mainly as a result of less recourse to the incentives paid to employees and executives who left in 2017 totalling €1.7 million (€2.8 million in 2016).

The table below shows the Group's workforce broken down by professional category:

	31.12.2017	31.12.2016	Variation
Executives	62	64	(2)
Middle Managers	414	425	(11)
Office staff	3,705	3,744	(39)
Final amount	4,181	4,233	(52)
Average amount	4,243	4,289	(46)

29. Capitalisation of internal work

The costs for the capitalisation of internal work stood at €29,133 thousand (€29,273 thousand in 2016) essentially in line with the previous year, and, as well as Group personnel hours spent on investment projects in progress, also include the internal realisation of investment projects, implemented by the subsidiary Techno Sky with external resources as well, relating specifically to the modernisation of weather equipment and systems and their adaptation to comply with ICAO 74 and 75 amendments at various airport sites, the design activities for the development of the 4-Flight system, the modernisation of telephony systems at various airports, activities at the airports of Brindisi, Treviso, Rimini, Verona and Roma Ciampino and maintenance of the air traffic control systems software.

30. Financial income and expenses

The balance for financial income and expenses was negative by €2,929 thousand (€2,180 thousand in 2016) and is composed of financial income for €3,971 thousand, financial expenses for €6,458 thousand and loss on foreign exchange for €442 thousand.

Financial income is broken down as follows:

	2017	2016	Variations
Income from investments in other companies	417	250	167
Financial income from balance discounting	2,531	2,089	442
Interest income on VAT credit refunds	19	418	(399)
Other interest income	1,004	1,842	(838)
Total financial income	3,971	4,599	(628)

There was a decrease of €628 thousand in **financial income** attributable mainly to less interest income associated with the VAT receivable to be repaid, collected in full, and to lower default interest income accrued during the year, negative changes partly offset by the greater financial income from balance discounting which also includes, in addition to the portion pertaining to the year, the allocation to the

income statement of balance receivables with reference to the third charging zone following the termination of the receivable in compliance with Legislative Decree No. 50/2017 through which the Parent Company received €26 million for keeping down the charging increases set out in the 2016-2019 programme contract. Income from investments in other companies refers entirely to the dividend collected from ESSP, the company in which the Parent Company owns a 16.67% stake.

Financial expenses which stood at €6,458 thousand, fell by €268 thousand compared with the previous year both through lower interest costs on employee benefits recorded in the year and lower interest expenses related to the subsidiary Techno Sky following the conclusion of the arbitration proceedings at the end of the 2016 half-year where interest at the legal rate was applied to the credit and debit entries frozen in the arbitration award.

The breakdown of financial expenses is given below.

	2017	2016	Variations
Interest due on bank loans	2,088	2,051	37
Interest due on bonds	3,474	3,474	0
Interest due on employee benefits	729	851	(122)
Interest costs on derivatives at fair value	138	50	88
Other interest due	29	300	(271)
Total Financial Expenses	6,458	6,726	(268)

31. Income Taxes

Income taxes stood at €42,255 thousand, a rise of €3,897 thousand following the higher tax base not offset by the reduction in the IRES rate, which went from 27.5% in 2016 to 24% in 2017.

The breakdown of current taxes is given in the table below:

	2017	2016	Variations
IRES (Corporate tax)	35,755	29,889	5,866
IRAP (Regional tax)	7,392	5,782	1,610
Taxes from previous fiscal years	(51)	571	(622)
Total current taxes	43,096	36,242	6,854
Deferred tax assets	(610)	2,202	(2,812)
Deferred tax liabilities	(231)	(86)	(145)
Total current and deferred tax assets and liabilities	42,255	38,358	3,897

For additional details on deferred tax assets and liabilities, please refer to note 11.

The IRES tax rate for 2017 was 24.9% compared with 26.1% in 2016, lower mainly as a result of the lower notional tax rate of 24% in force in 2017 compared with the previous year where it stood at 27.5%.

The IRAP tax rate for 2017 was 5.1%, in line with 2016.

	2017		2016	
	IRES (Corporate tax)	Proportion (%)	IRES (Corporate tax)	Proportion (%)
Income before taxes	143,753		114,704	
Theoretical tax	34,501	24.0%	31,544	27.5%
<i>Effect of increases/(decreases) compared to the standard tax</i>				
Non-deductible contingency liabilities	139	0.1%	217	0.2%
IRES deduction of IRAP paid on personnel costs	(150)	-0.1%	(117)	-0.1%
Other	17	0.0%	576	0.5%
Temporary differences for risk, receivables and inventories depreciation, and other items	1,248	0.9%	(2,331)	-2.0%
Actual IRES	35,755	24.9%	29,889	26.1%

	2017		2016	
	IRAP (Regional tax)	Proportion (%)	IRAP (Regional tax)	Proportion (%)
Income before taxes	143,753		114,704	
Theoretical tax	6,871	4.78%	5,483	4.78%
<i>Effect of increases/(decreases) compared to the standard tax</i>				
Other	(73)	-0.1%	(122)	-0.1%
Temporary differences for risk, receivables and inventories depreciation, and other items	454	0.3%	317	0.3%
Financial income and expenses	140	0.1%	104	0.1%
Actual IRAP	7,392	5.1%	5,782	5.0%

Other information

32. Segment reporting

For operating purposes, the Enav Group is organised into strategic units identified based on the nature of the services rendered and, for management monitoring purposes, it has two operating segments subject to reporting, which are described below:

- **Flight assistance services:** this operating segment coincides with the legal entity of the Parent Company Enav, whose core business is providing air traffic control and management services and other essential air navigation services in Italian airspace and in the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and the enhancement of the technology and infrastructure of flight assistance 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 infrastructures:* like the country's other logistics infrastructure, air infrastructure needs constant maintenance and continuous development to guarantee safety, punctuality and operational continuity. This is moreover clearly stated in the European Union's Single European Sky regulations that 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 two segments mentioned above and subject to monitoring.

No operating segment has been aggregated to create the operating segments subject to reporting indicated below for 2017 and 2016.

Financial Year 2017

	Flight assistance services	Servicing	Other sectors	Adjustments / consolidation reclassification	Enav Group
<i>(data in thousands of Euro)</i>					
Sales to third parties	886,618	1,737	3,199	0	891,554
Intersegment revenues	1,473	90,063	1,894	(93,430)	0
Total revenues	888,091	91,800	5,093	(93,430)	891,554
Personnel costs	(415,966)	(60,480)	(1,960)	(16)	(478,422)
Other net costs	(186,764)	(21,640)	(1,708)	90,305	(119,807)
Total operating costs	(602,730)	(82,120)	(3,668)	90,289	(598,229)
Amortisation and depreciation	(142,313)	(543)	(11)	2,807	(140,060)
Write-downs and provisions	(6,568)	(15)	0	0	(6,583)
EBIT	136,480	9,122	1,414	(334)	146,682
Financial income and expenses	(2,715)	(143)	(69)	(2)	(2,929)
Income before taxes	133,765	8,979	1,345	(336)	143,753
Income taxes	(39,260)	(2,691)	(396)	92	(42,255)
Net profit (loss) for the year	94,505	6,288	949	(244)	101,498
Total assets	2,030,486	77,461	58,723	(163,216)	2,003,454
Total liabilities	888,817	56,997	4,207	(66,532)	883,489
Net financial position	(120,271)	1,055	1,734	0	(117,482)

Financial Year 2016

	Flight assistance services	Servicing	Other sectors	Adjustments / consolidation reclassification	Enav Group
<i>(data in thousands of Euro)</i>					
Sales to third parties	869,021	2,907	3,090	0	875,018
Intersegment revenues	1,057	88,241	2,977	(92,275)	0
Total revenues	870,078	91,148	6,067	(92,275)	875,018
Personnel costs	(414,180)	(61,153)	(2,800)	0	(478,133)
Other net costs	(197,659)	(22,328)	(1,733)	89,461	(132,259)
Total operating costs	(611,839)	(83,481)	(4,533)	89,461	(610,392)
Amortisation and depreciation	(144,320)	(707)	(32)	2,543	(142,516)
Write-downs and provisions	(5,038)	(95)	(93)	0	(5,226)
EBIT	108,881	6,865	1,409	(271)	116,884
Financial income/(expense)	(1,659)	(450)	(70)	(1)	(2,180)
Income before taxes	107,222	6,415	1,339	(272)	114,704
Income taxes	(35,818)	(2,244)	(377)	80	(38,359)
Net profit (loss) for the year	71,404	4,171	962	(192)	76,345
Total assets	2,030,760	74,160	56,459	(155,064)	2,006,315
Total liabilities	887,897	60,048	1,644	(63,099)	886,490
Net financial position	(117,383)	2,048	15,214	0	(100,121)

33. Related parties

Enav Group related parties were identified according to the provisions of IAS 24 Related-party disclosures involving transactions that took place in the interest of the Group, that are part of ordinary operations and are regulated, unless stated otherwise, at market conditions. On 13 November 2017, the Board of Directors of the Parent Company, following the favourable opinion of the Control and Risks and Related Parties Committee, approved the "Procedure for governing related-party transactions" created by the Company directly and/or via 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" including Consob resolution 17221 of 12 March 2010 and subsequent amendments and supplements

The procedure, available on the website www.enav.it, establishes the criteria for identifying related parties, for the distinction between transactions of greater and lesser importance, for the procedural framework applicable to the above transactions, as well as any mandatory notifications to the competent bodies.

The tables below contain the economic and financial balances resulting from Group relations with related entities outside the Group, including those relating to directors, statutory auditors and executives with strategic responsibilities respectively for 2017 and 2016.

Name	Balance at 31.12.2017							
	Trade receivables and other non-current assets	Cash and cash equivalent	Financial Liabilities	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other oper costs	Costs for the use of third-party assets	Financial expenses
External related parties								
Ministry of Economy and Finance	13,932	558	0	59,882	13,929	0	0	0
Ministry of Infrastructure and Transport	33,397	0	0	0	37,390	0	0	0
Enel Group	0	0	0	122	0	1,286	0	0
Invitalia Group	0	0	1,664	0	0	0	0	71
Leonardo Group	576	0	0	20,489	150	2,584	0	0
Poste Italiane Group	0	0	0	3	0	60	66	0
Other external related parties	0	0	0	80	101	361	23	0

Name	Balance at 31.12.2016							
	Trade receivables and other non-current assets	Cash and cash equivalent	Financial Liabilities	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other oper costs	Costs for the use of third-party assets	Financial expenses
External related parties								
Ministry of Economy and Finance	13,299	328	0	104,258	13,201	0	0	0
Ministry of Infrastructure and Transport	33,995	0	0	0	38,822	0	0	0
Enel Group	0	0	0	171	0	137	0	0
Leonardo Group	329	0	0	31,143	1,546	4,511	0	0
Poste Italiane Group	0	0	4,974	7	0	77	65	140
Other external related parties	0	0	0	7	81	280	22	0

The nature of the main relations above are reported with external related entities, which means the Ministry of Economy and Finance (MEF) and the Ministry of Infrastructures and Transport (MIT) and the

entities subject to the control of the MEF is represented below in detail and also described in the comments on the individual items of the financial statements in the notes to the financial statements:

- relations with the MEF mainly relate to receivable and revenue relationships relating to 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 and relating to the portion attributable to the Italian Air Force for en-route charges. Following approval of the Enav financial statements, this payable is used to offset the receivable position. Cash and cash equivalents relate to a bank account opened by the Parent Company with the Bank of Italy;
- relations with the MIT relate to receivable and revenue relationships resulting from both an operating grant intended to cover the costs incurred by the Parent Company to ensure systems and operational safety pursuant to Article 11 septies of Law 248/05, and capital grants as part of the Networks and Mobility NOP recognised following the resolutions of the Management Authority of the Networks and Mobility NOP and charged to the income statement in an amount commensurate with the amortisation of the investments to which the contributions refer;
- relations with the Leonardo Group mainly relate to activities linked to Parent Company investments, the maintenance and acquisition of spare parts for systems and equipment for air traffic control;
- relations with Gruppo Invitalia mainly relate to the loan agreement stipulated between the Parent Company and Banca del Mezzogiorno – Medio Credito Centrale S.p.A. for €10 million. This contract expires on 31 May 2018, and sets an interest rate equal to Euribor plus a spread of 1.9%. At 31 December 2016 the financial institution was classified in Gruppo Poste Italiane because the completion of the sale to Invitalia – Agenzia Nazionale per l’attrazione degli investimenti e lo sviluppo d’impresa S.p.A., took place in the second half of 2017.
- relations with Gruppo Poste relate to the rental of equipment for hospitality purposes and shipping costs;
- relations with other related parties contain residual positions.

Executives with strategic responsibilities refers to the Enav CEO and three executives holding senior positions in the Group, appointed by the Board of Directors, at the suggestion of the CEO, at the meeting in September 2017, namely the General Manager, Chief Financial Officer and the Head of Human Resources. Note that at 31 December 2016 the financial statements only reported the compensation of the CEO, as the executives with strategic responsibilities had not been identified at that date.

The remuneration of Group executives with strategic responsibilities, gross of pension and social security costs and contributions, is illustrated below:

	2017	2016
Short-medium term employee benefits	1,406	865
Post-employment benefits	0	0
Share-based payment	214	0
Totale	1,620	865

The remuneration of the Group Board of Statutory Auditors is also given below:

	2017	2016	Variation
Statutory Auditors	127	112	15
Total	127	112	15

For more details, please refer to the Remuneration Report prepared pursuant to Article 123 ter of the TUF.

The Parent Company belongs to the Prevaer Pension Fund which is the national supplementary pension fund for non-executive personnel working in the Air Transport and similar sectors. As in Article 14 of the Prevaer Fund By-Laws: the Delegated Shareholders' Meeting; the Board of Directors; the Chairman and the Vice Chairman; the Board of Statutory Auditors, shareholder representation is based on equal participation by the workers' representative and the representative of the participating businesses. The Board of Directors of the Fund resolves, among other things on: the general criteria for risk sharing as regards investments and equity shareholdings as well as on investment policies; the selection of asset managers and the identification of the custodian bank.

34. Information 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*" called the **2017-2019 Performance Share Plan** previously approved by the Board of Directors on 16 March 2017.

On 11 December 2017 the Regulation implementing the Plan, which governs the operating rules, was approved. There are currently 19 executives who are beneficiaries of the Plan, including the CEO, identified among those who hold positions with greater impact on business outcomes or with strategic importance for the purposes of achieving the Group's long-term objectives.

The Plan, which breaks down into three cycles, each lasting three years, includes the free granting, to the beneficiaries identified, of rights to receive a variable number of Enav S.p.A. ordinary shares, with no par value, subject to reaching specific performance targets relating to the three-year periods 2017-2019 (first cycle), 2018-2020 (second cycle) and 2019-2021 (third cycle). These targets, for the first cycle of the Plan, were identified in the cumulative EBIT, in the Total Shareholder Return (TSR) and in the cumulative Free Cash Flow, because they represent the objective criteria for measuring the creation of value for the Group in the long-term. The performance targets for the second and third cycles of the Plan will be identified when the rights are granted by the Board of Directors.



The Plan includes a three-year vesting period for all beneficiaries, from the granting and the completion of the possession of the right of the beneficiaries to receive the share award. Therefore, if the performance targets are reached and the other conditions established by the Regulation are satisfied, the shares vested with reference to each cycle, will be assigned and handed over to the beneficiaries no later than the 60th calendar day after the approval by the Enav Shareholders' Meeting of the financial statements for the last year of the three-year vesting period.

The incentive plan also includes a lock-up period for a portion of the shares that may be handed over to the beneficiaries, namely the CEO, Executives with Strategic Responsibilities and the other managers identified. These Shares may consist of shares already issued, to be purchased in accordance with Article 2357 et seq. of the Civil Code or already held by the Parent Company.

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 relating to the peer group already identified by the Company;
- a non-market-based component (with a 60% weighting on assigned rights) related to the reaching of the cumulative Free Cash Flow or EBIT targets compared with the plan targets.

With reference to the market-based component, the calculation criterion used is the Monte Carlo method which, based on suitable theories, made it possible to define a consistent number of alternative scenarios over the time horizon considered. In contrast, the non-market-based component is not significant for the purpose of estimating the fair value at the time of assignment, but it should be updated at every reporting date to take into account the expectations relating to the number of rights that may vest based on the performance of EBIT and the Free Cash Flow compared with the Plan targets. For the estimate at 31 December 2017 it was assumed that the target had been reached.

The total fair value for the first cycle of the Plan equal to €1,368 thousand was calculated at the grant date, or the date of the approval of the Regulation by the Board of Directors and allocated pro rata to the income statement in conformity with IFRS 2.

35. Derivatives

To neutralise the risks deriving from fluctuating exchange rates for the acquisition in USD of shares in the company Aireon, on 20 December 2013 the Parent Company entered into four derivative contracts associated with the four tranches planned for the acquisition of the equity investment, for a total share of 12.5%. At 31 December 2017 all the foreign currency purchase operations necessary to discharge the contractual obligations associated with the investment in Aireon were completed. The derivative contract ceased to have accounting effects following the transaction for the acquisition of the fourth and final instalment.

In 2016 the Parent Company signed another derivative contract with the aim of hedging the exposure of an unfavourable variation in the Euro/AED exchange rates relating to future collections in foreign currency concerning a two-year contract defined with the Abu Dhabi General Civil Aviation Authority (GCAA). It specifically involves an OTC derivative financial instrument through which the Parent Company forward sells a given amount of foreign currency against the Euro at a pre-set exchange rate, starting from a certain date and until the expiry date.

The fair value of the derivative relating to the contract signed in 2016 is positive by €325 thousand. In accordance with IFRS 13, the recalculated mark to market was adjusted to also take into account the effect of non-performance risk (CVA), i.e., the risk that one of the parties will not meet its contractual commitments due to a possible default and, from the accounting perspective, the positive or negative fair value was recognised in current/non-current financial assets/liabilities based on the contractual maturity and with a matching entry in a shareholders' 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). In detail, from the financial perspective, the Credit Value Adjustment (CVA) is the expected value of the loss deriving from the default of the counterparty, if the derivative has a positive fair value. On the other hand, the Debt Value Adjustment (DVA) represents the value of the expected loss on default of the Company if the fair value is negative.

The contractual characteristics and the relative fair value at the date of 31 December 2017, as set forth in Bank communications, are listed below:

Counterparty	Transaction type	Stipulation date	Starting date	Expiry date	Notional (FX)	Forward exchange rate	Equivalent term (thousands of Euro)	MtM Bank
UNICREDIT	Sell AED Flex	22/11/2016	24/11/2016	27/09/2018	(16,238)	4.1230	(3,938)	327
Total							(3,938)	327

The fair value data at the end of 2017, adjusted to take into consideration the Credit Value Adjustment, are provided below:

Counterparty	Transaction type	Notional (FX)	Equivalent term (thousands of Euro)	MtM	Credit Value Adjustment (CVA)	MtM with CVA
UNICREDIT	Sell AED Flex	(16,238)	(3,938)	325	0	325
Total			(3,938)	325	0	325

It was not possible to identify an active market for this instrument. 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. In effect, although listings 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 assessments could be based.

Due to the substantial features of the derivative subject to analysis, it is classified as a hedging instrument. With reference to these instruments, the following information required by IFRS International Accounting Principles is given below:

Maturity Analysis

Expiry	Unicredit exchange derivatives (in Euro/000)
Within 1 month	0
Between 1 to 3 months	0
Between 3 to 6 months	0
Between 6 to 12 months	325
Between 1 to 2 years	0
Between 2 to 3 years	0
Between 3 to 5 years	0
Between 5 to 10 years	0
More than 10 years	0
Total	325

Sensitivity Analysis

Operation type	Fair value	Sensitivity analysis	
		Delta N.E. exchange Eur/FX 5%	Delta N.E.exchange Eur/FX -5%
Forward sales (Unicredit)	325	(175)	194

36. Assets and liabilities by maturity

	Within the next financial year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0	13,001	0	13,001
Deferred tax assets	0	24,785	0	24,785
Non-current tax receivables	0	24,858	0	24,858
Non-current trade receivables	0	88,174	0	88,174
Total	0	150,818	0	150,818
Financial liabilities	30,462	234,414	116,256	381,132
Deferred tax liabilities	0	3,505	0	3,505
Other non-current liabilities	0	20,801	85,452	106,253
Non-current trade payables	0	23,648	0	23,648
Total	30,462	282,368	201,708	514,538

Financial liabilities after the 5th year refer to the bank loans commented on in detail in Note 39.

Other non-current liabilities maturing in more than 5 years refer to the share of capital grants in proportion with the depreciation of the investment projects to which they refer.

37. Guarantees and commitments

Guarantees refer to bank guarantees given to third parties in the interest of the Group of €3,582 thousand (€4,304 thousand at 31 December 2016), and fell by €722 thousand mainly as a result of bank guarantees releases issued in previous years, such as, for example the Castel Giubileo lease agreement and the exchange rate adjustments for guarantees in foreign currencies.

38. Basic and diluted earnings per share

The basic earnings per share are reported at the end of the income statement and are calculated by dividing the profit for the year attributable to the Parent Company's shareholders by the weighted average number of ordinary shares outstanding during the year.

The share capital, which did not change during the year, is composed of 541,744,385 ordinary shares.

The table below summarises the calculation.

	2017	2016
Profit attributable to Parent Company shareholders	101,497,826	76,345,474
Weighted average number of ordinary shares	541,744,385	718,182,741
Basic Profit (loss) per share	0.19	0.11
Diluted Profit (loss) per share	0.19	0.11

39. Management of financial risks

In conducting its business, the Enav Group is exposed to various financial risks such as market risks (currency risk and interest rate risk), credit risk and liquidity risk. The management of these risks is based on the presence of specific internal committees, composed of Group top management, which are entrusted with the role of the strategic guidance and supervision of risk management and the policies that define the roles and responsibilities for the management processes, limitation structure, relational model and hedging and mitigation instruments.

Credit risk

The Group is exposed to credit risk, which is the risk that one or more commercial counterparties may become unable to honour all or part of their payment obligations. This risk mainly appears in respect of current trade receivables relating to operating activities, and particularly in connection with en-route services and terminal services, which represent the biggest exposure in the financial statements. These amounts mainly refer to receivables accrued in respect of the air companies in relation to charges, for which Eurocontrol is the management and collection agent. In this context, leaving aside the intermediary role performed by Eurocontrol, which means that the receivables are formally presented in the financial

statements and billed to this entity, measurement of the effective credit risk to which the Group is exposed takes place according to the counterparty risk for each individual carrier for which the underlying receivables originally accrued. This is because Eurocontrol does not assume any credit risk with regard to the possible insolvency of carriers and it only settles its liabilities towards the Parent Company following the collection of the respective sums from the airline companies. Eurocontrol, on the other hand, takes action to recover them, where necessary initiating legal proceedings.

A specific bad debts allowance is recorded in the financial statements for the risk of default by the Group's debtors. The write-down process used by the Group involves writing down debtor positions individually according to the financial situation of each debtor, the possibility of withdrawing the carrier's flying licence, the age of the receivable, internal assessments of the creditworthiness of individual debtors and information provided by Eurocontrol on en-route and terminal receivables. The amounts for which recovery is regarded as doubtful are recognised in the financial statements as a specific bad debts allowance for the adjustment of receivables. The total stood at €55,987 thousand at 31 December 2017. The size of this provision is reviewed periodically to make sure that it is constantly updated with regard to the credit risk perceived. At 31 December 2017, the amount of trade receivables for which recovery is regarded as doubtful was fully covered by the bad debts allowance in the financial statements.

Liquidity risk

Liquidity risk is the risk that the Group, despite being solvent, might be unable to meet promptly the commitments associated with its financial liabilities, whether expected or unexpected, due to difficulties in obtaining financial resources, or that it will be able to do so only under adverse economic conditions due to factors related to the perception of its risk by the market, or during situations of systemic crisis such as, but not limited to, the credit crunch and the sovereign debt crisis, or that it fails to meet its commitments (covenants) under certain loan agreements and the bond.

Although it does not have a cash pooling system, the Group's liquidity is managed and monitored by the Parent Company at a largely centralised level, in order to optimise the overall availability of financial resources by performing a coordinating role for the other Group companies.

At 31 December 2017, the Group had available cash of €263.2 million and also had short-term lines of credit totalling €222.5 million relating to: i) short-term committed and uncommitted lines of credit; ii) a long-term unused line of credit for €70 million, relating to an agreement with the EIB - European Investment Bank. The uncommitted lines of credit refer for €26.5 million to the current account overdraft, for €101 million to financial advances which can be used without any constraints regarding their destination, for €15 million for lines of credit for export advance payments and for €10 million for lines of credit for import advance payments. These lines of credit are subject to withdrawal and do not involve compliance with either covenants or other contractual commitments. The Group has a committed line of

credit for €70 million, with a three-year term (2017-2019), not used at the date of the financial statements and subject to compliance with covenants, including: i) a net financial indebtedness to EBITDA ratio of not more than 3; ii) a net financial indebtedness to shareholders' equity ratio of not more than 0.7.

In the longer term, liquidity risk is mitigated by a debt management strategy that provides for a diversified financing sources structure, in terms of both types of credit facilities and counterparties, to cover the Group's financial requirements and to provide a balanced debt maturity profile.

In compliance with the general guidelines established by top management and the policy approved by the Board of Directors, the Administration, Finance and Control function defines the short- and medium-/long-term financial structure and the management of the cash flows. The Function made decisions mainly aimed at: i) guaranteeing adequate financial resources available for planned short-term operating commitments, systematically monitored through cash planning activities; ii) maintaining a sufficient prudential liquidity buffer to deal with any unexpected commitments; iii) guaranteeing a minimum liquidity reserve level (financial assets and committed lines of credit) to ensure the coverage in full of short-term debt and the coverage of medium-/long-term debt due over a time horizon of 24 months, even in the case of credit access restrictions; iv) ensuring an adequate level of flexibility for the Group's medium-/long-term development projects, relating to investment contracts for the technological and infrastructural modernisation of flight assistance systems.

The Group's gross financial exposure at 31 December 2017 stood at €379.7 million and is represented by the indebtedness with regard to the banking system through medium and long-terms loans of €199.7 million and with regard to subscribers of the bond issued on 4 August 2015 maturing on 4 August 2022 for a principal amount of €180 million.

The table below gives the due dates of medium-/long-term bank loans and the bond maturity analysis stated at the nominal value, without the effect of the amortised cost method.

Lender	Type	Residual debt at 31.12.2017	< 1 Year	from 1 to 2 years	from 3 to 5 years	>5 years
Medio Credito Centrale	Medium and long term to 5 years	1,667	1,667	0	0	0
Unicredit	Medium and long term to 5 years	8,000	8,000	0	0	0
Unicredit	Medium and long term to 5 years	10,000	10,000	0	0	0
EIB - European Investment Bank	Medium and long term to 15 years	100,000	3,996	8,084	24,997	62,923
EIB - European Investment Bank	Medium and long term to 15 years	80,000	5,333	5,333	16,000	53,334
Bond		180,000	0	0	0	180,000
Total		379,667	28,996	13,417	40,997	296,257

The above loan agreements include general commitments and covenants for the Parent Company with a negative content as well, which, although in line with market practices for loan agreements for similar amounts and types, could limit operations. Specifically, these agreements involve certain early repayment scenarios if certain events of default occur where the Parent Company could be obliged to repay the loans immediately in full.

Specifically, note the following:

- the loan agreement entered into in 2013 between the Parent Company and the Banca del Mezzogiorno - Medio Credito Centrale S.p.A. for an amount of €10 million with a repayment plan with equal half-yearly instalments from November 2015 due in May 2018 and with an interest rate of the Euribor plus a spread of 1.9%, with a cross-default clause with the Bank having the right to ask for the early repayment of the loan if the Parent Company does not comply with obligations of a financial nature other than those in the loan agreement, as well as a guarantee, with regard to banks or financial institutions, involving total sums of more than €2 million, provided that there has been no remedy within 10 working days after the deadline;
- the two loan agreements entered into in 2008 by the Parent Company and Unicredit, extended until 2018 through a contractual option, for an original amount of €100 and €40 million, respectively, with a payment plan with equal half-yearly instalments and with interest at the Euribor plus a 0.34% spread, include:
 - cross-default clauses which are applied if Enav or any other Group company does not comply with obligations of a financial nature other than those in the loan agreements, assumed with regard to banks or financial institutions.
 - a change of control clause, which includes the right for Unicredit to ask for the early repayment of the loans if the Ministry of Economy and Finance no longer retains control of the Company.The two loans described above also include compliance with several financial covenants, including: i) a net financial indebtedness to EBITDA ratio of not more than 3; ii) a net financial indebtedness to shareholders' equity ratio of not more than 0.7;
- the loan agreements entered into by the Parent Company and the European Investment Bank (**EIB**), respectively for €180 million in 2014 and €70 million in 2016, in order to fund investment projects associated with 4-Flight and other projects, relating to which, at 31 December 2017, the Parent Company had used two tranches of the total loan equal to €180 million, with a repayment plan with equal half-yearly instalments from December 2018 and due in December 2029 and with a fixed interest rate of 1.515% for the tranche of €100 million and from June 2018 due in December 2032 and with a fixed interest rate of 1.01% for the second tranche of €80 million, which include:
 - a negative pledge clause, or a commitment by Enav not to establish or allow liens on any of its assets, where liens refer to any agreement or transaction relating to goods, receivables or cash realised as an instrument to obtain credit or fund the acquisition of an asset;
 - a cross-default clause which gives the EIB the right to ask for the early repayment of the loan if Enav or any other Group company does not comply with the obligations pursuant to any loan transaction or other financial transaction, other than this loan agreement;

- a change of control clause, which includes the right of the EIB to ask for the early repayment of the loan if any party or group of parties acting in concert obtains control of Enav, or if the Italian Republic no longer retains control of the Issuer.

The loans also involve compliance with several financial covenants, verified on an annual or half-yearly basis and calculated using the consolidated data of the Group: i) a gross financial indebtedness to EBITDA ratio of less than 3; ii) an EBITDA to financial expenses ratio of less than 6;

- the regulation of the bond issued by the Parent Company in August 2015 for a sum of €180 million and with the interest calculated at an annual gross fixed rate of 1.93% and repayment of principal in one settlement on 4 August 2022, includes:

- a negative pledge clause, namely a commitment pertaining to the Parent Company not to establish or provide guarantees to third-parties on the debt or additional privileges to those guaranteeing the bonds issued unless authorised by the bondholders' meeting;
- a cross-default clause, which includes the right of bondholders to ask for the early repayment of the bonds if Enav or its subsidiaries does not comply promptly with the payment obligations relating to financial payables other than the bond for an amount of more than €15 million;
- a change of control clause, which includes the right of bondholders to ask for the early repayment of the bonds if a party other than the Italian Republic, its ministries (including the Ministry of Economy and Finance) or entities or companies directly or indirectly controlled by it or its ministries, comes to have control of the Issuer.

The regulation of the bond also involves compliance with financial covenants, such as: a) a net financial indebtedness to EBITDA ratio of not more than 3; b) a net financial indebtedness to shareholders' equity ratio of not more than 0.7.

With regard to previous years, the Parent Company has always complied with the covenants set out in each loan. At 31 December 2017, based on the economic and financial figures expressed in the consolidated financial statements, it is felt that the covenants in the existing loan agreements have been complied with.

Interest rate risk

The main sources of the Group's interest rate risk exposure relate to the volatility of interest flows for variable-rate indexed loans and changes in market conditions for negotiating new debt instruments. At present, the Group does not own financial instruments valued in the financial statements at fair value and exposed to adverse changes following changes in the interest rates market level. In this respect there is only the risk that increases in interest rates could have a negative effect on the level of net financial expenses reported in the income statement and on the value of future cash flows.

The occurrence of these circumstances could have a negative effect on the Group's equity, income and cash flows.

At 31 December 2017, around 5% of the Group's gross financial indebtedness carried variable interest rates. Current corporate interest rate risk management policies do not provide for the use of derivative financial instruments.

In order to limit the potential adverse effects of interest rate fluctuations, the Group implements policies designed to contain the cost of funding over time by limiting the volatility of its results. The Group pursues this target by systematically negotiating with banks of prime standing, in order to optimise the average cost of debt, as well as through the strategic diversification of financial liabilities by type of contract, duration and interest rate conditions (variable-rate/fixed-rate). In 2017, the average cost of bank indebtedness was around 1.6%, essentially in line with the previous year.

Currency risk

The Group's exposure to the risk of unfavourable changes in the current level of exchange rates due to its transactions in other currencies might have negative effects on its economic performance and the value of balance sheet items denominated in foreign currency. Although the Group operates mainly in the Italian market, exposure to currency risk derives mainly from cash flows related to investments in foreign currency, mainly the US dollar, in relation to the purchase of the equity interest of 12.5% in the share capital of US company Aireon. Note that the Parent Company currently owns a 10.07% stake in the share capital of Aireon, having paid the third and fourth instalments, totalling USD 22.9 million. Note that the payment of the third instalment was completed on 6 February 2017 and the fourth and final instalment was paid on 27 September 2017. In this regard, the Parent Company has entered into a specific flexible forward contract for the future purchase of US currency for each of the payment tranches contractually agreed for the acquisition of the above equity interest. The forward exchange rates (EUR/USD) agreed for the third and fourth tranches are, respectively 1.3580 and 1.3630.

To a lesser extent the Group is exposed to the currency risk associated with contracts signed for the provision of non-regulated services denominated in foreign currency (mainly in Malaysian ringgit and United Arab Emirates dirham). In order to manage the residual exposure to currency risk, the Group has developed a Policy whose guidelines make it possible to use different types of instruments, specifically swap and forward, as well as currency options. Speculative activities are not, however, permitted under the scope of these policies. Specifically, at the end of 2016, with regard to a foreign contract with the General Civil Aviation Authority of the United Arab Emirates, a hedge agreement was entered into through a flexible forward contract for a notional amount corresponding to the value of the contract (around AED 19.6 million) and a forward exchange for the sale of the currency (EUR/AED) of 4.123.

As far as the valuation of the exchange rate derivative instruments at fair value is concerned, it is calculated based on standard market algorithms and on market listings/contributions provided by leading public information providers. Note, however, that the risk resulting from the conversion of the assets and

liabilities of Enav subsidiaries which prepare their financial statements in reporting currencies other than the euro, is not usually hedged, unless there has been a specific valuation.

Litigation risk

Litigation regarding taxation, administrative, civil or employment matters is handled by the competent functions of the Enav Group, for the purpose of preparing these Financial Statements, which have provided a full and exhaustive picture regarding the various civil, administrative and employment proceedings. Taking into consideration the overall disputes, the Group has performed detailed evaluation of the risk of losing some of them, which assessment determined the need to prudentially set aside specific provisions for those disputes whose adverse outcome has been deemed probable and where the amount could be reasonably quantified. Pursuant to the regulations governing the preparation of financial statements, no specific allocations were made in connection with those proceedings whose negative outcome was considered merely possible.

Currently, we do not believe that the pending litigation could result in significant disbursements for the Group, exceeding the amounts already allocated for this purpose in the provisions established at 31 December 2017.

Civil and administrative litigation

The civil and administrative litigation includes: i) the actions proceedings versus suppliers and airport companies that are insolvent or in bankruptcy or undergoing other insolvency proceedings, arisen in connection with the recovery of receivables that it was not possible to settle out of court. Some positions were written down; ii) litigation involving defence against actions brought by suppliers or contractors that the Group considered to be groundless, or for recovery of higher costs and/or damages that the Group incurred due to non-compliance of suppliers/contractors; iii) litigation involving claims of assets belonging to the Parent Company, compensation for damages caused by the loss of assets transferred to the Company, or claims for payment or improvements to assets; iv) litigation relating to claims for damages arising from aeronautical accidents, for which the risk of an adverse outcome is normally assumed by the insurance Parent Company; v) proceedings challenging the holding of open public procedures and the awarding of contracts; and vi) a dispute involving claims for damages due to failure to acquire a unit belonging to a third party company.

Appropriate allocations were made for the positions considered by the Group's legal staff to be probable.

Criminal proceedings

The criminal proceedings against a former CEO, for alleged offences envisaged under articles 319 and 321 of the Italian Penal Code and the assumption of complicity in the offence pursuant to art.7, paragraphs 2

and 3, law 194/1975 and art. 4, par. 1, law 659/1981 and a former Company manager for alleged offences envisaged under art. 319 and 321 of the Italian Penal Code., the ruling was not handed down due to the statute of limitations.

The criminal proceedings against the former Chairman of Enav Board of Directors, two former managers of Enav and the top management of a third party company, as well as former supplier of the subsidiary Techno Sky for alleged offences as envisaged under articles 81, 319 and 321 of the Italian Penal Code concluded with the ruling of not being able to proceed due to the statute of limitations. The Parent Company is a plaintiff in the proceedings against the consultant of a former Ministry of the Economy for the crimes pursuant to articles 110, 319 and 321 of the Italian Penal Code. The proceedings concluded with the ruling which, insofar as known, is under appeal by the defendant.

There is no news regarding to the criminal proceedings pending in investigation phase of the criminal case against, among others, the top manager of a former construction company, the former Chief Executive Officer and board member of Enav and the top manager of an Enav supplier's sub-contractor, regarding the alleged criminal offences envisaged under art. 110 of the Italian Penal Code, art. 7, par. 2 and 3, Law 195/1974 and art. 4, par. 1, Law 659/1981 and the alleged criminal offence envisaged under art. 8, Law 74/2000, except for the Chief Executive Officer who is being investigated for the alleged criminal offence envisaged under art. 323 of the Penal Code, specifically for the subcontracts relating to the contract for the refurbishing of the Palermo Airport. With regard to the company relating to the contractor, civil proceedings are also pending with a partial ruling was handed down finding the invalidity of the contracts pursuant to which claims were brought for payment of professional services provided to Enav.

The criminal proceeding established following the lawsuit brought by the Company with regard to the illegal removal of goods and materials belonging to Enav which was stored at a third-party warehouse has been settled on appeal. In this proceeding the Company was a plaintiff against the shadow director of the warehousing company for the criminal offence envisaged under art. 646 of the Italian Penal Code and; with its ruling handed down on 16 February 2015, the Court declared the accused guilty, among other things, of the crime pursuant to art. 646 and sentenced him, including for other crimes he was accused of, to 6 years and 6 months of prison and a fine of €3,000. The Court also ordered an immediately executive provisional order of €1 million to be paid to the Parent company, referring the settlement of the damages incurred by Company to another forum. A ruling of non-suit was handed down for only one of the charges, due to remission and acceptance thereof. Finally, with regard to the remaining charges, the defendant was acquitted as it was adjudged there was no case to answer. The appeal subsequently established was ruled with the defendant being found guilty and the first instance terms in favour of the civil parties were confirmed. An additional proceeding, in continuation of the investigations initiated by the Rome Public prosecutor's office is currently pending and aimed at ascertaining the individuals who were the final recipients of the merchandise stored in the aforementioned third party warehouse in regard to the removal

of which, as underlined above, Enav had initiated the claim. In these pending proceedings for multiple criminal offences involving the assets and criminal association against the various defendants, including the shadow director of the warehousing company, the Company was a plaintiff at the preliminary hearing and, upon conclusion, all the defendants were committed to stand trial.

In the criminal proceedings launched by the Sassari Public Prosecutor, the preliminary investigations have ended in respect of, among others, the General Manager for the alleged offences envisaged under art. 589 of the Italian Penal Code, 26. par. 1 and 2 of Legislative Decree 81/08, 25 septies of Legislative Decree 231/01 in relation to an accident happened during an extraordinary maintenance intervention that caused the death of the director of the contracting company. The prosecutor has presented a motion for dismissal of the trial in respect of the Chief Executive Officer. The offence provided for under art. 25 septies Legislative Decree 231/01, regarding responsibility of entities was also claimed (although Enav was never formally notified), but in this regard too there is a motion to dismiss. Pursuant to an exhibition order on 24 November 2016, the Company produced documentation on certain contracts involving Enav North Atlantic; on the basis of available information, the investigation is pending before the Rome Public prosecutor's office, and the Company is not at present aware of any suspect persons or any official charge thereto.

40. Compensation to the Independent Auditors pursuant to Article 149 duodecies of the Consob Issuers' Regulation

The fees for 2017, recognized to the independent auditors of the Parent Company, EY S.p.A., are summarised according to the provisions of Article 149 duodecies of the Consob Issuers' Regulation in the table below (values in thousands of euros):

Type of Service	Entity providing the service	2017
ENAV		
Auditing	EY SPA	301
	Network Ernst & Young	5
Certification services	EY SPA	38
	Network Ernst & Young	0
Other services	EY SPA	14
	Network Ernst & Young	0
ENAV subsidiaries		
Auditing	EY SPA	124
	Network Ernst & Young	10
Certification services	EY SPA	0
	Network Ernst & Young	0
Other services	EY SPA	0
	Network Ernst & Young	0
Total		492

The certification services provided by EY S.p.A. to Enav mainly involved the certification of financed projects.



41. Events after the financial statements reporting date

On 27 February 2018 the Board of Directors of the Parent Company authorised the granting of a short-term shareholders' loan, via the subsidiary Enav North Atlantic LLC, in favour of the investee company Aireon LLC, up to a maximum amount of USD 7.13 million, which bears interest. The provision will take place in regular payment tranches, based on the financial requirements estimated by the management of Aireon. The first tranche of approximately USD 1.8 million was paid on 9 March 2018.



**Attestation of the Chief Executive Officer and the Manager responsible for financial reporting on
the consolidated financial statements**



Attestation of the Enav Group's consolidated financial statement for the year ended 31 December 2017 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 consolidated financial statements during the period from 1 January 2017 to 31 December 2017.
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 consolidated 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 consolidated financial statements for the year ended 31 December 2017:
 - 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' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer and the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Rome, Italy
12 March 2018

Chief Executive Officer
Roberta Neri

Manager responsible for financial reporting
Loredana Bottiglieri

(This certification has been translated from the original which was issued in accordance with Italian legislation)



**Independent Auditor's Report
on the consolidated financial statements**



Enav S.p.A.

Consolidated financial statements as at December 31, 2017

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

Independent auditor's report in accordance with article 14 of
Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU
Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Enav S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Enav Group (the Group), which comprise the consolidated statement of financial position as at December 31 2017, and the consolidated income statement, the Consolidate statement of other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Enav S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Valuation of the investment in Aireon LLC</p> <p>The Company accounts for the investment in Aireon LLC in its consolidated financial statements, under the item Investments in other companies, for Euro 51,5 million. The value of the investee, which participates in the development of a significant international infrastructural project with other international industry players, is measured at the historical cost reduced for any impairment charges. At each reporting date, the management evaluates whether there is any objective evidence of impairment indicators.</p> <p>The processes and methodologies for assessing and determining the recoverable amount of the investment are based on assumptions, sometimes complex, that for their nature require management's judgement, with particular reference to the identification of any impairment indicators, the appropriate use of the expected future cash flows prepared by the investee for impairment assessment and the determination of the discount rate applied to the forecasted future cash flows.</p> <p>In consideration of the judgment required by management in the impairment assessment of the recoverable amount of the investment, we have determined that this area constitutes a key audit matter.</p> <p>The disclosures related to the valuation of the investment in Aireon LLC is included in note 5. "Use of estimates and management judgements", while the disclosures related to the methodologies assumed in the impairment test are included in note "9 Investments in other companies".</p>	<p>Our audit procedures in response to the key audit matter concerned, among others, the analysis of the future cash flows prepared by the investee, also with reference to their consistency with the economic and financial plan for the development project of the investee, and the assessment of the discount rate.</p> <p>In performing our procedures, we have leveraged the assistance of our experts in valuation techniques, who performed an independent recalculation and a sensitivity analysis of the key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of the recoverable value of the participation.</p> <p>Lastly, we reviewed the disclosures provided in the notes to the financial statement regarding the valuation of the investment in Aireon LLC.</p>
<p>Valuation of the goodwill</p> <p>Goodwill at December 31, 2017 amounts to Euro 66,5 million and it is entirely allocated to the CGU "Maintenance Services".</p> <p>The processes and methodologies for assessing</p>	<p>Our audit procedures in response to the key audit matter concerned, among others, testing the CGU identification process and the allocation of assets and liabilities to the CGU, as well as the assessment of the forecasted future</p>

and determining the value in use of the CGU are based on assumptions, sometimes complex, that for their nature require management's judgement, with particular reference to the forecasted future cash flows for the period covered by the financial plan 2018- 2022, the determination of the normalized cash flows used for the calculation of the terminal value and the determination of long-term growth and discounting rates applied to the forecasted future cash flows.

In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of the goodwill, we have determined that this area constitutes a key audit matter.

The disclosures related to the assumptions and estimates used by the Company's management are included in note 5. "Use of estimates and management judgements", while the disclosures related to the methodologies of execution of the impairment are included in note "8. Intangible assets".

cash flows.

In addition, the procedures performed included the verification of the consistency of future cash flows related to the CGU with the financial plan 2018 -2022, the testing of such forecasts against the previous forecasts and the assessment of the long-term growth and discount rates assumed by the Company.

In performing our procedures, we have leveraged the assistance of our experts in valuation techniques, who performed an independent recalculation of the recoverable value of the goodwill and sensitivity analyses of the key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of the goodwill recoverable value.

Lastly, we reviewed the disclosures provided in the notes to the financial statement regarding the valuation of goodwill.

Recognition and valuation of revenues – cd.
Balance

The policy for recognizing revenues from terminal and route services provides for revenue adjustments recorded at the year end in order to reflect the effective performance for the year; such revenue adjustments, performed through the “Balance” mechanism, will be regulated by specific tariff mechanisms during the years following the current financial year.

The processes and methodologies for measuring such revenue adjustments are based on complex calculation algorithms and assumptions that for their nature require management’s judgement, in particular with reference to the estimated recovery of the amounts in the financial years following the financial current financial year and the determination of the discount rate.

In consideration of the complexity involved in estimating revenue adjustments from the Balance mechanism, we have determined that this area constitutes a key audit matter.

The disclosures related to the revenues accounting policy and the measurement methodologies provided under the Balance mechanism are included in notes “4. Accounting standards” and “5. Use of estimates and management judgements”.

Our audit procedures in response to the key audit matter concerned, among others, the understanding of the applicable legislation, the understanding and evaluation of the estimation methodologies used by the management, the assessment of the processes and key controls, the assessment of the discount rates assumed and the verification of the arithmetic correctness of the calculations performed by the management.

Lastly, we reviewed the disclosures provided in the notes to the financial statements with reference to the measurement and accounting methodology of revenue adjustments provided under the Balance mechanism.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee (“Collegio Sindacale”) is responsible, within the terms provided by the law, for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholder of Enav S.p.A., in the general meeting held on April 29, 2016, engaged us to perform the audits of the consolidated financial statements of each years ending December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Enav S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of Group Enav as at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Enav Group as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Enav Group as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.



Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Enav S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Rome, 29 march 2018

EY S.p.A.

Signed by: Mauro Ottaviani, partner

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



**ENAV S.p.A. FINANCIAL STATEMENTS
AT 31 DECEMBER 2017**

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ENAV S.p.A. FINANCIAL STATEMENTS

Statement of financial position

ASSETS

<i>(Euro)</i>	Notes	31.12.2017	of which related parties (Note 30)	31.12.2016	of which related parties (Note 30)
Non-current assets					
Tangible assets	5	1,047,734,825	0	1,076,262,973	0
Intangible assets	6	57,773,445	0	56,523,128	0
Investments	7	147,071,418	0	142,579,527	0
Non-current financial assets	8	2,985,856	2,985,856	0	0
Deferred tax assets	9	18,059,202	0	17,522,095	0
Non-current tax receivables	10	23,164,181	0	23,164,181	0
Non-current trade receivables	11	88,173,706	0	153,538,885	0
Total non-current assets		1,384,962,633		1,469,590,789	
Current assets					
Inventories	12	60,968,545	0	60,872,429	0
Current trade receivables	11	281,986,985	44,059,627	224,515,422	43,553,131
Receivables to group companies	13	18,392,809	18,392,809	21,744,898	21,744,898
Current financial assets	8	325,067	0	1,221,112	0
Tax receivables	10	15,164,950	0	26,640,236	0
Other current assets	14	10,430,572	3,396,681	11,725,544	3,994,983
Cash and cash equivalents	15	257,549,667	557,623	213,744,522	327,564
Total current assets		644,818,595		560,464,163	
Assets classified as held for disposal	7	704,900		704,900	
Total Assets		2,030,486,128		2,030,759,852	

Statement of financial position

SHAREHOLDERS' EQUITY AND LIABILITIES

<i>(Euro)</i>	Notes	31.12.2017	of which related parties (Note 30)	31.12.2016	of which related parties (Note 30)
Shareholders' Equity					
Share capital	16	541,744,385	0	541,744,385	0
Reserves	16	450,568,662	0	447,349,616	0
Retained earnings/(accumulated losses)	16	54,851,816	0	82,365,139	0
Profit (loss) for the year	16	94,504,734	0	71,403,883	0
Total shareholders' equity		1,141,669,597		1,142,863,023	
Non-current liabilities					
Provisions for risks and charges	17	6,955,672	0	6,910,672	0
Employee severance indemnity and other benefits	18	37,703,262	0	38,561,335	0
Deferred tax liabilities	9	3,504,717	0	4,009,766	0
Non-current financial liabilities	19	350,670,193	0	299,726,688	1,660,947
Non-current trade payables	20	23,647,605	0	16,768,995	0
Other non-current liabilities	21	106,252,719	0	111,883,859	0
Total non-current liabilities		528,734,168		477,861,315	
Current liabilities					
Short-term portion of provisions for risks and charges	17	2,208,600	0	3,802,794	0
Current trade payables	20	124,984,355	20,031,257	125,705,028	30,787,473
Payables to group companies	13	45,151,552	45,151,552	41,354,559	41,354,559
Tax and social security payables	22	31,462,712	0	36,132,840	0
Current financial liabilities	19	30,461,827	1,663,703	32,621,735	3,313,023
Other current Liabilities	21	125,813,317	59,882,277	170,418,558	104,258,158
Total current liabilities		360,082,363		410,035,514	
Total liabilities		888,816,531		887,896,829	
Total Shareholders' Equity and liabilities		2,030,486,128		2,030,759,852	

Income statement

<i>(Euro)</i>	Notes	2017	of which related parties (Note 30)	2016	of which related parties (Note 30)
Revenues					
Revenues from operations	23	859,202,353	14,014,570	801,764,650	13,274,095
Balance	23	(17,223,255)	0	16,427,689	0
Other operating income	24	46,112,229	38,963,753	51,886,011	39,961,098
Total revenues		888,091,327		870,078,350	
Costs					
Costs for raw materials, supplies, consumables and goods	25	(3,222,727)	(543,703)	(4,801,582)	(636,857)
Costs for services	25	(183,756,181)	(69,449,763)	(193,747,764)	(67,383,151)
Personnel costs	26	(415,965,693)	0	(414,180,463)	0
Costs for the use of third-party assets	25	(2,767,197)	(89,382)	(3,213,064)	(98,992)
Other operating expenses	25	(4,607,761)	(58,058)	(3,403,080)	(384,352)
Capitalisation of internal work	27	7,589,447	0	7,507,064	0
Total costs		(602,730,112)		(611,838,889)	
Amortisation and depreciation	5 and 6	(142,312,770)	0	(144,320,243)	0
Write-downs and losses/(write-backs)	11	(7,269,977)	0	(1,946,408)	0
Provisions	17	701,733	0	(3,091,686)	0
Operating income		136,480,201		108,881,124	
Financial income and expenses					
Financial income	28	3,996,850	71,671	4,402,545	0
Financial expenses	28	(6,277,485)	(70,931)	(6,086,792)	(139,792)
Profit (loss) on foreign exchange	28	(434,487)	0	25,041	0
Total financial income and expenses		(2,715,122)		(1,659,206)	
Income before taxes		133,765,079		107,221,918	
Income Taxes	29	(39,260,345)	0	(35,818,035)	0
Profit (loss) for the year		94,504,734		71,403,883	

Statement of other comprehensive income

<i>(Euro)</i>	Note	2017	2016
Profit (loss) for the year	16	94,504,734	71,403,883
<i>Other components of the comprehensive income statement that will subsequently be reclassified in profit/(loss) for the year:</i>			
- Fair value of derivative financial instruments	8 and 16	(1,095,239)	205,569
- Tax effect of the valuation at fair value of derivative financial instruments	9 and 16	262,857	(49,336)
<i>Total components of the comprehensive income statement that will subsequently be reclassified in profit/(loss) for the year</i>		(832,382)	156,233
<i>Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year:</i>			
- Actuarial gains/(losses) on employee benefits	16 and 18	54,583	(1,810,692)
- Tax effect of actuarial gains/(losses) on employee benefits	9 and 16	(13,100)	434,566
<i>Total components of the comprehensive income statement that will not subsequently be reclassified in profit/(loss) for the year</i>		41,483	(1,376,126)
Total Profit (Loss) of Comprehensive Income Statement		93,713,835	70,183,990

Statement of changes in Shareholders' equity

	Reserves					Cash Flow Hedge	Total reserves	Retained earnings/(accum ulated losses)	Profit (loss) for the year	Total Shareholders' Equity
	Share capital	Legal reserve	FTA reserve	Sundry reserves	Reserve for actuarial gains/(losses) for employee benefits					
Balance at 31 december 2015	941,744,385	15,876,762	(3,044,940)	36,358,609	(5,804,600)	2,692,806	46,078,637	82,365,138	49,817,458	1,120,005,618
Allocation of net profit from the previous year	0	2,490,873	0	0	0	0	2,490,873	47,326,585	(49,817,458)	0
Dividend disbursement	0	0	0	0	0	0	0	(47,326,585)	0	(47,326,585)
Reduction in share capital	(400,000,000)	0	0	400,000,000	0	0	400,000,000	0	0	0
Comprehensive Profit (loss) recognised, including:										
- Profit (loss) recognised directly in equity	0	0	0	0	(1,376,126)	156,233	(1,219,893)	0	0	(1,219,893)
- Profit (loss) for the year	0	0	0	0	0	0	0	0	71,403,883	71,403,883
Balance at 31 december 2016	541,744,385	18,367,635	(3,044,940)	436,358,609	(7,180,726)	2,849,039	447,349,617	82,365,138	71,403,883	1,142,863,023
Allocation of net profit from the previous year	0	3,570,194	0	0	0	0	3,570,194	67,833,689	(71,403,883)	0
Dividend disbursement	0	0	0	0	0	0	0	(95,347,012)	0	(95,347,012)
Reduction in share capital	0	0	0	0	0	0	0	0	0	0
Long term incentive plan	0	0	0	439,751	0	0	439,751	0	0	439,751
Comprehensive Profit (loss) recognised, including:										
- Profit (loss) recognised directly in equity	0	0	0	0	41,483	(832,382)	(790,899)	0	0	(790,899)
- Profit (loss) for the year	0	0	0	0	0	0	0	0	94,504,734	94,504,734
Balance at 31 December 2017	541,744,385	21,937,829	(3,044,940)	436,798,360	(7,139,243)	2,016,657	450,568,663	54,851,815	94,504,734	1,141,669,597

Statement of cash flows

	Notes	31.12.2017	of which related parties	31.12.2016	of which related parties
A - CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	15	213,745		156,573	
Net cash flow generated/(absorbed) from operating activities					
Profit (loss) for the year	16	94,505	0	71,404	0
Amortisation and depreciation	5 and 6	142,312	0	144,321	0
Net change in liabilities for employee benefits	18	(803)	0	(1,537)	0
Loss on sale of tangible assets and impairment of tangible and intangible assets	5	1,189	0	9	0
Other income/expense on non-monetary flows	5 and 8	1,145	308	55	0
Provision for stock grant plans	17	(1,549)	0	790	0
Provisions for risks and charges	26	440	0	0	0
Net change of deferred tax assets and deferred tax liabilities	9	(792)	0	1,078	0
Decrease/(Increase) in inventories	12	455	0	1,533	0
Decrease/(Increase) in current and non-current trade receivables	11	7,892	(506)	(28,414)	1,006
Decrease/(Increase) Income tax and tax and social security debts	10 and 22	6,805	0	49,086	0
Change in other current assets and liabilities	14 and 21	(43,309)	(43,778)	(2,959)	12,663
Change in receivables and payables to group companies	13	7,149	7,149	(4,779)	(4,779)
Change in other non-current assets and liabilities	21	(5,631)	0	(904)	0
Increase/(Decrease) in current and non-current trade payables	20	(13,328)	(19)	(4,782)	16
B - TOTAL CASH FLOW FROM OPERATING ACTIVITIES		196,480		224,901	
			of which taxes paid		
			(36,003)		(36,086)
			of which Interest paid		
			(3,634)		(6,137)
Net cash flow generated/(absorbed) from investing activities					
Investments in tangible assets	5	(109,447)	0	(108,616)	0
Investments in intangible assets	6	(8,338)	0	(10,468)	0
Increase/(Decrease) in trade payables	20	19,659	(10,737)	29,828	6,217
Investments in other shares	7	(4,491)	0	0	0
C - TOTAL CASH FLOW FROM INVESTING ACTIVITIES		(102,617)		(89,256)	
Net cash flow generated/(absorbed) from financing activities					
New medium and long term loans	19	80,000	0	0	0
(Repayments) of medium and long term loans	19	(31,333)	(3,310)	(31,200)	(3,291)
Net change in short-term financial liabilities	19	220	0	0	0
Bond issue	19	0	0	0	0
Net change in short-term financial liabilities	19	0	0	53	0
(Increase)/Decrease in current financial assets	8	(304)	0	0	0
(Increase)/Decrease in non-current financial assets	8	(3,294)	(3,294)	0	0
Change in Capital		0	0	0	0
Dividend distribution	16	(95,347)	(50,890)	(47,326)	(47,326)
D - TOTAL CASH FLOW FROM FINANCING ACTIVITIES		(50,058)		(78,473)	
E - Total cash flow (B+C+D)		43,805		57,172	
F - CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+E)	15	257,550		213,745	

value in thousands of Euro



NOTES OF ENAV S.p.A.



1. General information

Enav S.p.A., a joint-stock company listed on the Mercato Telematico Azionario (MTA) was established in 2001 following the conversion, under Law No. 665/1996, of the “Ente Nazionale di Assistenza al Volo (the National Agency for Flight Assistance)”, a public undertaking, that was formerly known as “Azienda Autonoma di Assistenza al Volo per il Traffico Generale” (A.A.A.V.T.A.G. – Autonomous Company providing Flight Assistance for General Traffic).

From 26 July 2016, Enav shares were listed on the Mercato Telematico Azionario (MTA) organised and managed by Borsa Italiana S.p.A. and, at 31 December 2016 the company was owned 53.373% by the Ministry of Economy and Finance (MEF) and 46.627% by institutional and individual shareholders. On 30 October 2017, the MEF granted 524,790 free ordinary shares to the assignees of the Initial Public Offering who maintained full ownership of the shares for twelve months without interruption. At 31 December 2017, therefore, Enav was owned 53.28% by the MEF and 46.72% by institutional and individual shareholders.

Enav provides air traffic control and management services and other essential air navigation services in Italian airspace and in the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and the enhancement of the technology and infrastructure of flight assistance systems. These infrastructures require constant maintenance and continuous development to guarantee safety, punctuality and operational continuity. However, this is clearly stated in the European Union’s Single European Sky regulations that on the one hand define the 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 Company’s registered office is in Via Salaria 716, Rome and its operating facilities are located throughout the country.

Enav holds significant controlling investments and, in compliance with IFRS 10, prepares the Consolidated Financial Statements, published together with these Financial Statements.

The Financial Statements were approved by the Board of Directors of the Company at the meeting of 12 March 2018 which approved their circulation. These financial statements have undergone an audit by EY S.p.A. pursuant to Articles 14 and 16 of Legislative Decree 39/2010 by virtue of their appointment for the nine-year period 2016-2024 by the Shareholders' Meeting on 29 April 2016.

2. Form and contents of the Financial Statements

The Financial Statements of Enav at 31 December 2017 were prepared in compliance 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 through (EC) Regulation No. 1606/2002 of 19 July 2002 as well as pursuant to Legislative Decree No. 38 of 28 February 2005 which governed the application of the IFRS under the scope of the Italian legislative body.

IFRS refers to all the International Financial Reporting Standards, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Union and contained in the related UE Regulations published up to 12 March 2018, the date on which the Enav Board of Directors approved the Financial Statements.

The accounting standards used reflect the full operation of Enav, in the foreseeable future, being applied in the assumption of going concern and conform to those applied in the preparation of the separate Financial Statements for the previous year.

The Financial Statements were prepared and presented in euros, which is the reporting currency of the Company. All the amounts in the tables in the notes and comments below are expressed in thousands of euros, unless stated otherwise.

The financial statements used and classification criteria adopted by the Company are listed below under the scope of the options in IAS 1 *Presentation of Financial Statements* and in conformity with the provisions of Consob Resolution No. 15519 of 27 July 2006 with regard to the amount of positions or related-party transactions in the financial statements and, where applicable, the representation in the income statement of income and expenses from one-off significant transactions or events that are not repeated frequently in regular operations. In 2017 there were not atypical or significant transactions that needed to be reported separately. The following financial statements were used:

- **statement of financial position** prepared by classifying assets and liabilities in according to current and non-current, with specific separation, if present, of assets classified as held for sale and the liabilities included in a group classified as held for sale or for distribution to shareholders. Current assets, which include cash and cash equivalents, are those intended to be realised, sold or consumed in the normal operating cycle of the company or in the 12 months after the year-end. Current liabilities are those which are expected to be extinguished in the normal operating cycle of the Group or in the 12 months after the year-end.
- **income statement** prepared by classifying operating costs by their nature;
- **statement of other comprehensive income** which, in addition to the result for the year taken from the income statement, includes the other changes in shareholders' equity items separated into the components which will later be reclassified to the income statement and those, which on the other hand, will not;
- **statement of changes in shareholders' equity**

- **statement of cash flows** prepared by presenting the financial flows from operations according to the indirect method and by presenting net financial flows generated from operating, investment and financing activities.

The financial statements were prepared on the historic cost basis with the exception of the financial statement items where the fair value principle must be applied.

Each item of the accounting statements was compared with the corresponding figure for the previous year.

3. Accounting standards

The most important accounting standards and valuation criteria applied in the preparation of the financial statements are described below.

Tangible assets

Tangible assets are recorded at cost, net of accumulated depreciation and any impairment losses. The cost includes directly attributable ancillary costs necessary for the commissioning of the asset for the use for which it was acquired. During important revision or maintenance, the cost is included in the book value of the equipment or machinery, where the recognition criterion is satisfied. All other repair and maintenance costs are recognised in the income statement when incurred. In any event, the costs incurred after the acquisition are recognised as an increase in the book value of the item referred to, if it is likely that the future benefits associated with the cost accrue to the Company and the cost of the item can be reliably calculated.

The depreciation is calculated at constant rates, from the time the asset is available and ready for use, depending on the estimated useful life of the asset for the business, subject to annual re-examination. Any changes in the useful life, if necessary, will be made and applied prospectively. The depreciation takes into account any residual value of the assets. When the asset subject to depreciation is composed of elements that can be identified separately, whose useful life differs significantly from that of the other parts that the asset is composed of, the depreciation is carried out separately for each of these parts, applying the component approach method.

The estimated useful life of the main classes of tangible assets is as follows:

Type	Description	useful life (years)
Buildings	Buildings	25
	Extraordinary maintenance of buildings	25
	Light constructions	10
Plants and machinery	Radio systems	10
	Recording systems	7
	Synchronisation systems and control centers	10
	Manual and electromechanical power plants	7
	Power plants and electrical systems	10
	Radio links, AF and amplification equipment	10
	Power systems	11
Industrial and commercial equipment	Signalling equipment and runway equipment	10
	Equipment and small tools	7
Other assets	Electronic machines and telephone systems	7
	Furniture and office equipment	10
	Data processing equipment including computers	5
	Cars, motorcycles and similar items	4
	Business aircraft	15
	Aircraft equipment and flight inspection systems	10

The book value of tangible assets is checked to detect any impairment losses, if events or changes in circumstances indicate that the book value may not be recovered. If there is an indication of this type and, if the book value exceeds the recoverable value, the assets are written-down and recorded at their recoverable value. The recoverable value of the tangible assets is represented by the greater of the fair value excluding sales costs and the value in use.

For an asset that does not generate broadly independent cash flows, the realisation value is calculated in relation to the cash generating unit to which this asset belongs. The impairment losses are recorded in the income statement under the item write-downs and losses. These impairments are reinstated if the reasons that generated them disappear, within the limits of the net book value that the asset in question would have had if the write-down had not been made and if the depreciation had taken place.

At the time of the sale or when the future economic benefits anticipated from the use of an asset do not exist, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sale value and the book value) is recognised in the income statement in the year of the above-mentioned derecognition.

Intangible assets

The intangible assets are made up of non-monetary elements, identifiable and without physical substance, which can be controlled and are designed to generate future economic benefits. These elements are

recognised at purchase cost or production cost, including the directly attributable ancillary costs necessary to make the assets available for use, excluding accumulated amortisation (with the exception of intangible assets with an indefinite useful life) and any impairment. Intangible assets produced internally are not capitalised and are recognised in the Income Statement in the year in which they are incurred.

Amortisation starts at the time the asset is available for use and is systematically shared in relation to the residual possibility of its use.

The useful life of intangible assets is valued as definite or indefinite.

Intangible assets with a definite useful life are amortised at constant rates throughout their estimated useful life and are subjected to impairment tests if there are indications of possible impairment. The residual useful life is re-examined at the end of each year or more frequently if necessary. Changes in the expected useful life or in the methods through which future economic benefits related to the intangible assets are achieved by the Company are recognised changing the period and/or amortisation and depreciation method and they are dealt with as changes in the accounting estimates.

The gain or losses from the sale of an intangible asset are measured as the difference between the net sales revenue and the book value of the asset and they are recognised in the income statement at the time of the sale.

Intangible assets with an indefinite useful life are not subjected to systematic amortisation but rather to a valuation conducted at least once a year aimed at identifying any impairment losses (impairment test), both at an individual level and at the level of the cash generating unit. Any change from an indefinite useful life to a definite useful life is applied on a forward-looking basis.

Intangible assets with an indefinite useful life are not reported in the Financial Statements of the Company. Specifically, the following main intangible assets can be identified such as intellectual property rights represented by licences and software and other intangible assets with an estimated useful life of three years.

Inventories

Inventories, represented essentially by some of the spare parts relating to air traffic control systems and equipment, are recorded at the lower out of the cost and net realisation value. The cost is calculated based on the weighted average cost formula, which includes related ancillary costs. If these inventories can no longer be used because they are obsolete, they are written-down through allocation to the dedicated allowance for inventory losses directly adjusting the value of the asset.

Investments

Investments in subsidiaries are recorded at the purchase cost, including directly attributable ancillary costs, adjusted if there is any impairment which is reported in the income statement. If the causes of impairment

no longer exist, the value is restored up to the amount of the write-down made. This reinstatement in value is recorded in the income statement.

Subsidiaries refer to all companies in which Enav has the power to directly or indirectly determine the financial and operating policies (significant activities) in order to obtain the benefits resulting from the activity (variable returns) having the ability to exercise its power over them to affect the amount of the returns.

Investments in other companies and financial assets available for sale, constituting non-current financial assets not held for trading (available for sale) are valued at cost adjusted for impairment because the fair value cannot be reliably calculated.

Financial assets

Financial assets are initially recorded at their fair value, possibly adjusted for transaction costs and later valued using the amortised cost method using the effective interest rate method, adjusted in the case of lasting impairment.

These impairments are calculated as the difference between the book value and the current value of future cash flows discounted at the effective original interest rate.

If the due date of trade receivables and other current assets do not come under normal business terms and do not produce interest, an analytical discounting process founded on assumptions and estimates is applied. Trade receivables, whose due date comes under normal business terms, are not discounted. Trade receivables and other receivables are included in current assets, with the exception of those due in more than twelve months in relation to the financial statements date, which are classified as non-current assets.

The book value of trade receivables is reduced through an allocation to the bad debts allowance if there are indicators surrounding the partial or total failed recoverability of the book value of the receivable. If the amount of an impairment recorded in the past is reduced and the decrease can be connected to an event that took place after the recognition of the impairment, it is transferred to the income statement.

Financial assets are derecognized from the statement of financial position when the right to receive the cash flows of the instrument is extinguished, or all the risks and benefits relating to the instrument are essentially transferred.

Cash and cash equivalents

Cash and cash equivalents include cash, available bank deposits and other forms of short-term investments not exceeding three months that can readily be converted into cash. At the date of the financial statements, current account overdrafts are classified as financial debt under current liabilities in the statement of financial position. The elements included in cash and cash equivalents are valued at fair value and changes are recognised in the income statement.

Derivative financial instruments

A derivative is a financial instrument or another contract which has the following characteristics:

- the value changes in relation to changes of an underlying defined parameter, such as the interest rate, the price of a security or a commodity, the exchange rate in foreign currency, the price or rate index, credit ratings or other variables;
- the initial net investment is equal to zero, or less than what would have been required for contracts with a similar response to changes in market conditions;
- it will be adjusted at a future date.

The derivative financial instruments of Enav are represented by forward contracts in currency with the aim of hedging exchange rate risk. At the signing date of the contract, the derivative financial instruments are recognised at fair value both during the initial reporting and at each subsequent valuation. Derivatives are recorded as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. These derivative instruments are classified as current or non-current depending on their expiry date and the intention of the Company to hold or not to hold these instruments until their expiry date.

Hedging derivative financial instruments, the only type present in Enav, are recorded using the hedge accounting methods if they comply with the following requirements:

- at the start of the hedging the hedge ratio is formally designated and documented, plus the objectives of the risk management and the strategy pursued;
- the hedging is expected to be extremely effective;
- the effectiveness can be reliably measured;
- the hedging is highly effective during the different periods which it is designated for.

If the requirements described above are complied with, with the intention of covering the Company against exposure to the risk of the cash flow variations associated with an asset, liability or highly likely transaction, the cash flow hedge accounting treatment is applied and therefore the portion of the profit or loss on the hedge instrument, relating to the effective part of the hedge, is recognised in the other components of the comprehensive income statement through a specific shareholders' equity reserve known as the cash flow hedge, while the non-effective part is recognised directly in the income statement for the year under the scope of other revenues and income or other operating costs.

The amounts recognised in the other comprehensive income statement are later transferred to the income statement at the time in which the transaction hedged affects the income statement, for example if there is a sale or a write-down.

If the hedging instrument is sold, reaches maturity, is cancelled or exercised without replacement, or it no longer qualifies as effective hedging for the risk against which the transaction was initiated, the cash flow hedge share of reserves relating to it is maintained until the underlying contract is revealed.

When an expected transaction is no longer deemed likely, the profits or losses recognised at shareholders' equity are immediately released to the income statement.

With reference to the calculation of fair value, Enav operates in compliance with the requirements defined by IFRS 13, each time this measurement is required by international accounting standards, such as the recognition and/or valuation criterion or additional information with regard to specific assets and liabilities. The fair value expresses the price that will be received from the sale of an asset or which will be paid for the transfer of a liability under the scope of a routine transaction implemented between market operators, at the valuation date (*exit price*). The fair value of instruments listed on public markets is calculated with reference to bid prices at the year-end.

The fair value of unlisted instruments is measured with reference to financial valuation techniques.

Financial assets and liabilities valued at fair value are classified in the three hierarchical levels described below, based on the importance of the information used in calculating this fair value. In particular:

- Level 1: fair value calculated with reference to listed prices (not changed) on active markets for identical financial instruments which the Company can access at the valuation date;
- Level 2: fair value calculated on the basis of various inputs from listed prices at level 1 based on variables that can be observed directly or indirectly on active markets;
- Level 3: fair value calculated using valuation techniques with reference to variables that cannot be observed.

For assets and liabilities measured at fair value on a recurring basis, the Company determines whether there has been a transfer between the hierarchical levels indicated above, identifying the level at the end of each accounting period at which the significant input of the lowest hierarchical level used for the valuation is classified.

Non-current assets held for sale

Non-current assets are classified as held for sale if the book value will mainly be recovered through sales or liquidation operations rather than through continuous use.

This condition is considered as having been complied with when the sale or liquidation is highly likely and the asset is available for immediate sale or liquidation in its current conditions to be completed within 12 months of the classification date as a non-current asset held for sale.

Non-current assets available for sale or liquidation are recorded in the statement of financial position separately from other assets.

Immediately before the classification of available for sale or liquidation, the assets are valued according to the applicable accounting standards. Later on, the assets are valued at the lower of the book value and the fair value.

Financial liabilities

Financial liabilities, which include loans, bond and other financial liabilities were initially recorded at fair value, excluding directly attributable transaction costs, and were later valued at amortised cost applying the effective interest rate criterion, excluding principal repayments already made.

Payables and other financial liabilities are classified as current liabilities except when the expiry of the contract is more than twelve months from the date of the financial statements when they are classified as non-current liabilities.

Financial liabilities are derecognized when they are extinguished, or when the obligation specified in the contract is discharged.

Employee benefits

Employee benefits are all types of remuneration delivered by the company in exchange for work carried out by employees.

Short-term employee benefits are represented by wages, salaries, social security contributions, compensation in lieu of leave and incentives paid in the form of a bonus payable in the twelve months after the closing date of the financial statements. These benefits are accounted as components of personnel costs in the period in which the work was provided.

Benefits following the termination of the employment relationship are divided into two types: defined plan benefits and defined contribution plans. Defined benefit plans are plans where the employer is committed to pay the necessary contributions sufficient to guarantee a fixed future pension provision for employees, through the assumption of an actuarial risk pertaining to the employer. Since the amount of the benefit to be supplied can only be quantified after the termination of the employment relationship, the related economic and financial effects are recognised on the basis of actuarial calculations in conformity with IAS 19. Defined contribution plans are plans whereby the employer makes fixed contributions into a fund. The obligation of the employer is extinguished therefore through the payment of contributions to the fund and the actuarial risk falls on the employee. In defined contribution plans, the contribution costs are allocated to the income statement when they are incurred based on the related nominal value.

Employee severance indemnity (TFR) due to employees pursuant to Article 2120 of the Civil Code, accrued up to 31 December 2006 comes under defined benefit plans because the portions accrued with effect from 1 January 2007, in conformity with Law 296 of 27 December 2006, on the basis of the implicit and explicit choices made by employees, were allocated to the supplementary pension funds or to the float established at the INPS. The liability is projected to the future using the Projected Unit Credit Method to calculate the probable amount to be paid at the time of the termination of the employment and it is then actualised to take into account the time that will elapse before the effective payment. The valuation of the liability recorded in the financial statements is based on the conclusion reached by actuaries outside of Enav. The

calculation takes into account the TFR accrued for work services already provided and is based on actuarial theories which mainly involve: demographic bases (such as employee turnover and mortality) and financial ones (such as the inflation rate and discount rate with the maturity consistent with the one anticipated for the obligation). The value of the liability recorded in the financial statements is, therefore, in line with the actuarial value. The value of the liability recorded in the financial statements is, therefore, in line with the one from the actuarial valuation and the actuarial profits and losses resulting from the calculation are allocated directly to the shareholders' equity in the statement relating to the other comprehensive income statement items in the period in which they arise taking into account the related deferred tax effect.

The severance indemnity due to employees pursuant to Article 2120 of the Civil Code comes under defined contribution plans, limited to the portions of TFR which have accrued from 1 January 2007 and mandatorily paid to a supplementary Pension Fund, or into the dedicated float at the INPS. These plans are managed by third-party fund managers, in relation to which there are no obligations pursuant to the company and for which Enav makes contributions with the contribution costs allocated to the income statement when they are incurred on the basis of the related nominal value.

Benefits due to employees for the termination of the employment relationship are recognised as liabilities when the company decides to end the employment relationship with an employee or a group of employees before the normal pension age, or in cases in which the employee or a group of employees decides to accept an offer of benefits in exchange for the termination of the employment relationship. The benefits due for the termination of an employment relationship are recognised immediately in personnel costs.

Long-term share-based incentive plan

Long-term share-based incentive plans, in conformity with IFRS 2, represent a remuneration element for employees which takes place through the payment of capital instruments (equity-settled share-based payment transaction). The cost of this plan is represented by the fair value of these instruments calculated at the grant date, and it is recognised under Personnel costs throughout the period between the grant date and the vesting date, with a matching entry known as the stock grant reserve under shareholders' equity. The overall estimated amount is shared throughout the vesting period and the personnel costs and corresponding increase in shareholders' equity is periodically recognised through a share of the estimated amount.

The estimated amount of the cost should be revised during the vesting period if subsequent information indicates that the number of instruments that mature at the end of the vesting period is different from original estimates. The change in the estimate will, if necessary, be recorded to adjust the Stock grant reserve item with the matching entry in Personnel costs.

Provisions for risks and charges

The provision for risks and charges is recorded following losses and expenses of a certain kind, which definitely or probably exist, where the amount or occurrence date are unknown. Recording only takes place when there is a current obligation (legal or implicit) resulting from a past event, when it is likely that resources will leave to meet this obligation and when it is possible to reliably estimate the amount.

When the associated financial effect at the time is significant and the payment dates of the obligations can be reliably estimated, the funds are discounted using a discount rate before the deduction of tax which, where appropriate, reflects the current market valuation of the cost of cash in relation to the time and, if applicable, to the specific risks attributable to the obligation. When the allocation to the provision for risks and charges is discounted, the periodic adjustment of the current value associated with the time factor is reflected in the income statement as a financial expense. Where it is assumed that all the expenses, or some of them, required to extinguish an obligation will be paid by third-parties, this indemnity, if virtually certain, is recognised as a separate asset.

Changes in the estimates for allocations to the provisions are reflected in the income statement for the year in which the change takes place and they lead to an increase in liabilities. Downward changes in the estimates are recognised in matching entries under liabilities up to the book value and the excess is recognised in the income statement under the same item they refer to.

The amounts recorded in the provision for risks and charges are separated into the current and non-current portions based on the liability payment/extinguishment forecast.

The risks for which the occurrence of a liability is only possible are indicated in the dedicated information section on contingent liabilities and no provision is made for them.

Contributions

Operating grants are recognised in the year in which the right to receive them emerges with reasonable certainty, irrespective of the collection date.

Public capital grants are recognised if there is a formal award decision by the providing entity and only if, based on information available at the year-end, there is reasonable certainty that the project receiving the grant will effectively be realised and that said grants will be received. Public capital grants are recorded in a dedicated item under current and non-current liabilities, depending on the repayment deadlines, and they are allocated to the income statement as income at constant rates calculated with reference to the useful life of the asset to which the grant refers directly, in this way guaranteeing a correlation with the amortisation and depreciation relating to said assets.

Revenues

Revenues are recorded at the fair value of the consideration received or which may be received net of discounts and allowances to the extent in which it is likely that the economic benefits are received by the Company and the related amount can be reliably calculated.

Balances

At an international level, the countries that belong to Eurocontrol used an en-route charging system until 31 December 2011 known as cost recovery. This system is based on the concept that the amount of revenues was commensurate with the value of the costs incurred for en-route air navigation control services. By virtue of this principle, the charges remained at the value that made it hypothetically possible to achieve economic break-even. At the end of the year, if revenues are higher than costs a negative balance (over recovery) would be generated, which would give rise to an adjustment in the income statement for the greater revenues and the recording of a balance payable. If, on the other hand, revenues are lower than the costs incurred, a greater revenue would be recorded in the income statement and a positive balance receivable recorded (under recovery). In compliance with the cost recovery principle, the balance therefore represented the result of the correction mechanism used in order to adjust the amount of revenues to the effective extent of the costs incurred that can be charged. The effects of this mechanism were included for charging purposes starting from the second year after the reference year and allocated to the income statement with the opposite sign to the recognition one.

From 1 January 2015 this cost recovery mechanism applied exclusively to the third terminal charging zone. With effect from 2012 and following the entry into force of the system for the provision of en-route air navigation services, in accordance with EU regulations on the European Single Sky, a new management system was introduced based on the measurement and optimisation of operating and economic performances, with the consequent abandonment of the cost recovery system. The instrument for the implementation of the performance scheme is the National Performance Plan, approved for the three-year period 2015-2019 (the second reference period), in which the actions and targets to be reached in the reference period are outlined. These efficiency targets involve the introduction of risk elements that the providers, and therefore Enav, are responsible for, both for traffic and costs. Specifically, the traffic risk mechanism involves the sharing of traffic risk between providers and airspace users, where positive and negative changes, of up to 2%, in the actual traffic compared with the planned traffic are totally the responsibility of providers, while changes of between 2% and 10% are shared to the extent of 70%, as the responsibility of the airline companies and 30% as the responsibility of the providers. The cost recovery methodology applies for changes of more than 10%. According to the rules described previously, any

positive or negative difference with regard to traffic risk generates an adjustment to en-route revenues using the item Balance charge adjustment for the year.

With regard to costs risk, the possibility of transferring in full any differences between what was planned and the actual figures at the end of the year was eliminated. These changes, both negative and positive, remain the responsibility of providers in the financial statements.

Since 2015 this EU regulation also applies to terminal services, coming under the performance plan through different methods depending on the charging zone. In effect, the terminal charges are divided into three zones:

- zone 1 which includes airports with a greater number of movements than 225,000 per year, subject to the costs risk and traffic risk in the same way as for en-route services;
- zone 2 which includes airports with a number of movements between 225,000 and 70,000 per year to which only a costs risk applies;
- zone 3 which includes airports with a number of movements below 70,000 per year excluded from the EU performance plan and to which the cost recovery mechanism applies.

According to the rules described previously, any positive or negative difference generates an adjustment to terminal revenues using the item Balance charge adjustment for the year.

The item Balance charge adjustment for the year, both with reference to terminal services and en-route services, makes it possible to represent the extent of the revenues corresponding to the performance effectively delivered during the reference period which, as a result of the specific charging mechanisms, can only be adjusted afterwards. In other terms, the adjustments or supplements to the revenues make it possible to record the revenues in the reference period at the fair value of the consideration obtained or which can be obtained following the services provided.

The item Balance charge adjustment for the year will only be allocated to the charges two years later while, in the year ending, the credit/debit balance recorded in at least two previous years is transferred to the income statement through the item Balance Utilisation and included in the charge for the year.

Taking into account that the recovery of the positive and negative balances is deferred for a period of time and takes place based on defined recovery plans in the charging area, in accordance with IAS 18, Enav measures said revenues at fair value, discounting them at average interest rate at which financial resources are recovered on the non-regulated market. The adjustment is made to reduce the balance receivable/payable item to which it refers and to reduce the revenues for the year. The portion of the interest income accrued in the period is transferred to the income statement in subsequent years.

If the charging balance recovery plans are changed, Enav adjusts the balance receivable/payable value in order to reflect the effective and recalculated estimated cash flows. The book value is therefore recalculated by computing the current value of the future cash flows recalculated by applying the original interest rate; the difference that is generated, in addition to adjusting the balance receivable/payable

value, will be recognised in the income statement under components of a financial nature. As it involves a revision of the estimates after obtaining new and more complete information, the change in balance recovery plans does not involve the adjustment of the balances relating to previous financial statements but it does involve the prospective application of changes.

Dividends

The dividends received by investee companies are recognised in the income statement at the time at which the unconditional right of shareholders to receive the payment that normally corresponds to the shareholders' meeting for the distribution of dividends is established.

Costs

Costs are recorded when they relate to goods and services sold or consumed in the year or through systematic distribution or when their future utilisation cannot be identified.

Costs are recorded in the income statement at the same time as the decrease in the economic benefits associated with the reduction of an asset or the increase of a liability if this can be reliably calculated and measured. Costs are also recorded at the same time as the recognition of the related revenues in order to guarantee correlation between the positive and negative elements of income.

Financial income and expenses

Financial income and expenses are recognised on the basis of interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate and, where applicable, the legal interest rate. The effective interest rate is the rate which exactly discounts estimated future payments or collections over the expected life of the financial instrument, or where appropriate a shorter period, at the net book value of the asset or the liability. Interest income is measured to the extent that it is likely that the economic benefits will be transferred to the Company and the amount can be reliably evaluated.

Income Taxes

Current IRES and IRAP taxes are calculated on the basis of the best estimate of the taxable income for the year and in conformity with the tax regulations in force, applying the tax rates in force. The payable for current taxes is recorded in the statement of financial position excluding net of any pre-paid taxes.

Deferred tax assets and liabilities are calculated in connection with all the temporary differences that emerge between the financial values recorded in the financial statements and the corresponding values for tax purposes, applying the tax rate in force at the date on which the temporary difference will be transferred, calculated on the basis of the tax rates set out in the provisions in force or essentially in force at the reference date. Deferred tax assets for all the temporary differences that can be deducted in future

years are recognised when their recovery is likely, or if it is expected that sufficient taxable income will be realised in the future to recover the assets. Deferred tax liabilities are recognised for all future taxable temporary differences unless this liability results from: i) the initial recognition of goodwill; ii) the initial recognition of an asset or a liability in a transaction that does not represent a business combination and which at the time of the transaction does not affect either the accounting profit, or the income, or the taxable income (tax loss).

Current taxes, deferred tax assets and liabilities for deferred taxes are allocated to the income statement, with the exception of those relating to items directly debited or credited under other comprehensive income statement components or shareholders' equity elements. In such cases the tax effect is directly attributable to the other comprehensive income statement components or the shareholders' equity.

Deferred tax assets and liabilities for deferred taxes, applied by the same tax authority, are offset if there is a legally exercisable right to offset the amounts of current tax assets with current tax liabilities generated at the time of their repayment.

Deferred tax assets and liabilities for deferred taxes are classified, respectively, under non-current assets and liabilities.

Duties and taxes not related to income are included under the income statement item defined as other operating costs.

Related parties

Related parties are identified by the Company in accordance with IAS 24. Generally speaking, related parties mainly refer to parties that share the same controlling entity with Enav, companies that directly or indirectly exercise control, are controlled, or are subject to the joint control of Enav and those in which the latter holds a stake whereby it can exercise considerable influence. The definition of related parties also includes those entities that manage post-pension benefit plans for employees of the Company or related companies, as well as statutory auditors and their immediate family, executives with strategic responsibilities (including directors) and their immediate family, of Enav and companies directly and/or indirectly controlled by it.

Related parties refer to the entities controlled by Enav. External related parties refers to the supervising Ministry, namely the Ministry of Infrastructure and Transport (MIT) and the controlling Ministry, namely the Ministry of Economy and Finance (MEF), the entities under control, including joint control, the MEF and associated companies. Related parties also include Company executives with strategic responsibilities and pension funds (Prevaer).

For a detailed analysis of the above-mentioned related-party transactions, please refer to Note No. 30 of the Financial Statements.

Conversion of entries in foreign currencies

The assets and liabilities from transactions in currencies other than Enav's reporting currency are recognised at the exchange rate at the date of the transaction. At the end of the year these assets and liabilities are adjusted at the exchange rate at the year-end and the related exchange rate gains and losses are allocated to the income statement.

Use of estimates and management judgements

The preparation of the Financial Statements, in accordance with IAS/IFRS international accounting standards, requires the Directors to make accounting estimates based on complex and/or subjective judgements, evaluations, estimates based on historic experience and theories considered to be reasonable and realistic depending on related circumstances and on the basis of information known at the time of the estimate. The application of these estimates and assumptions influences the book value of the assets and liabilities and the information on contingent assets and liabilities at the date of the financial statements, as well as the amount of revenues and costs in the reference period. The actual results could differ from the estimated ones as a result of the uncertainty featured in the assumptions and conditions on which the estimates are based. The estimates and assumptions are revised periodically and the effects of each change are reflected in accounting terms in the period in which the revision of the estimate takes place, if this revision only affects the current period, or also in subsequent periods if the revision affects the current period and future periods.

In the case of future changes in estimation processes, information will be given about the methodological change with effect from the year in which the above-mentioned change could be revealed in the presence of further elements and/or factors which could intervene. These changes to the conditions underlying the assumptions and judgements made could create a significant impact on the annual financial statements.

For the purpose of a better understanding of the financial statements, the main financial statement items or accounting situations which could be affected by a significant component of management's judgement are given below highlighting the main assumptions adopted in the evaluation process, in compliance with international accounting standards.

Reduction in value and recoverability of investments

For every reference date of the financial statements the Company assesses whether there is objective evidence that investments have suffered a reduction in value.

Investments in subsidiaries are recorded at the purchase cost, as required by international accounting standard IAS 27.

The analyses conducted by management require the evaluation of a series of internal and external inputs such as, for example: the examination of the annual budget, the examination of the long-term economic-financial plan, the analysis of the main market indicators.

The evaluation of the present value of cash flows requires the extensive use by management of significant estimates and assumptions. It is believed that the estimates of this value are recoverable and reasonable; however, possible changes in the estimation factors on which the calculation of the above-mentioned value is based could produce different valuations.

With reference to the evaluation concerning the objective evidence of losses through the reduction in value with regard to the investment in Techno Sky, the test is carried out by calculating the value in use of the investment based on the discounted cash flow method.

The recoverable amount was estimated based on the cash flows taken from the 2018-2022 economic-financial plan prepared by the subsidiary Techno Sky, pre-approved by the Board of Directors of Techno Sky on 2 March 2018 and sent to the Parent Company for inclusion in the Group Business Plan. For the explicit period, these flows are formulated based on hypothetical assumptions associated with business development expectations, while in the years following the explicit period long-term sustainable profitability theories are developed to allow management continuity (growth rates and other factors firmly based on macro economic dynamics). The theories used by management with regard to the estimation of the "normalised" net operating flow are as follows:

- definition of a NOPAT (Net Operating Profit After Taxes) developed on the basis of the average of the specific 5-year forecast (2018-2022);
- amortisation and depreciation in line with the maintenance investments for the fixed capital;
- working capital balance of 0;
- the growth rate of the operating cash flows after the explicit period and in perpetuity, used for calculating the residual value ("g" rate), was estimated as equal to 1.5% in line with 2016.

Specifically, the growth rate (g rate) estimate is affected by the assumptions and evaluations made by management.

The discount rate used was the WACC (Weighted Average Cost of Capital) of 8.34% with a growth rate for operating cash flows in nominal terms, after the specific period, equal to 1.5% consistent with the current reference macro economic projections (Euro Zone inflation) and in line with 2016. The estimate of the discount rate is affected by valuations and assumptions made by management and reflects current market valuations of the cost of cash and the specific risks of the activity. Specifically, the discount rate was constructed according to the following assumptions: the Free Risk, Country Risk premium and Market Risk premium were calculated on the basis of data that could be observed on the market, the Beta considering an estimate calculated according to a sample of comparable companies.

With regard to the valuation of the investment in Enav North Atlantic, it should be stressed that it was established in order to make the investment in the company under US law, Aireon LLC: therefore the recoverability of the carrying amount of the above-mentioned investment in Enav North Atlantic LLC is connected to the recoverability of the values which refer to the investment made in the latter. The valuation and the assumptions used by management to estimate the recoverability of the investment in Enav North Atlantic referred to the 2018-2033 economic-financial plan approved by the Aireon Shareholders' Meeting on 8 December 2017. For a full examination of the analysis process, please refer to the section "Use of estimates and management judgements" in the consolidated financial statements.

Paragraph 7 *Investments* contains information relating to the results of the valuations conducted by the Company.

Measurement of fair value of revenues

As described in the *Accounting Standards* section, calculating the revenues for the year plus the balance adjustments, which measure services already provided by the Company, requires management to use estimates and evaluations. These estimates and evaluations draw on the forecast of the recovery times for the amounts associated with the balance in the years following the accrual as well as the choice of the discount rate to use. Specifically, with regard to the measurement of the fair value of the component for the integration and adjustment of the balances, the Company forecasts the recovery times using future charging plans: if these forecasts undergo changes, the amount relating to the credits and debits for balances are changed to reflect the new forecasts relating to the associated cash flows.

Determining useful life

The amortisation and depreciation of tangible and intangible assets is recognised at constant rates during the estimated useful life of each asset. The economic useful life is calculated at the time when the assets are acquired and is based on historic experience for similar investments, market conditions and forecasts involving future events that could have an impact on the useful life. The actual economic life, therefore, may differ from the estimated useful life. The Company evaluates technological changes annually in order to update the residual useful life. This update could involve a change in the amortisation period and therefore also the portion of amortisation for the year and future years.

Risk provision

The Company checks the likely liabilities in the risk provision attributable to disputes and litigation with personnel, suppliers, third-parties and, in general, other expenses resulting from obligations undertaken. The calculation of the allocations to the risk provision involves making estimates based on the current knowledge of factors that could change over a period of time, able to general final results that could be

significantly different from those taken into consideration in the preparation of the annual financial statements.

Bad debts allowance and allowance for inventory losses

The bad debts allowance and the allowance for inventory losses respectively reflect the estimates associated with the losses on Company receivables and the estimate of spare parts that have become obsolete and can no longer be used on the reference systems. Although the provisions in question are deemed consistent, the use of difference theories or a change in economic conditions could be reflected in changes and, therefore, have an impact on profits.

4. New accounting standards, interpretations and amendments adopted by the Company

In addition to the accounting standards adopted for the preparation of the annual financial statements at 31 December 2016, the main changes that took place during 2017 to first adoption international accounting standards in 2017 with effect from 1 January 2017, significant for Enav, as well as the interpretations of and changes to the standards, not yet in force or not yet endorsed by the European Union, which could apply in future to the annual financial statements of the Company, are described below.

New accounting standards applied from 1 January 2017

The Company adopted the following interpretations of and changes to existing standards with effect from 1 January 2017.

- *Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses* - issued on 19 January 2016 provides clarifications on the methods for measuring deferred tax assets relating to debit instruments measured at fair value. In addition, the amendments clarify the requirements for recording deferred tax assets with regard to unrealised losses, in order to eliminate asymmetry in accounting practices. The above-mentioned amendment to IAS 12 was endorsed on 6 November 2017.

The application of the above-mentioned changes has not had a significant impact on the annual financial statements of the Company.

- *Amendments to IAS 7 Disclosure Initiative* - issued on 29 January 2016. The amendments to the above-mentioned principle apply to liabilities and assets resulting from financing activities, defined as liabilities and assets whose cash flows have been or will be classified in the statement of cash flows in the cash flows deriving from financing activities. The amendments require the information about changes to these assets/liabilities to be inserted distinguishing between monetary and non-monetary changes (e.g. changes resulting from obtaining or losing control in subsidiaries or in other businesses, the effect of exchange rate changes and changes in fair value). The IASB suggests providing this

information in a table reconciling the balances for the beginning of the period and those for the end of the period for these assets/liabilities.

The Company illustrated the impacts resulting from the change to the principle, endorsed by the European Union on 6 November 2017, in an explanatory note.

- *Annual Improvements to IFRS standard 2014-2016 Cycle* – issued on 8 December 2016. The document contains formal changes and clarifications of existing principles. More specifically, the following principle was amended: i) *IFRS 12 – Disclosure of interests in other entities*: several amendments have been made to clarify the scope of IFRS 12 in relation to interests in entities under the scope of *IFRS 5 Non-current assets held for sale and discontinued operations*. Specifically, it clarifies that the entities are not exempt from the disclosure obligations required by IFRS 12 if said entities are reclassified under non-current assets held for sale or as discontinued operations.

The Company does not anticipate significant impacts resulting from the application of the amendments made to IFRS 12. The *Annual Improvements to IFRS standard 2014-2016 Cycle*, endorsed by the European Union on 7 February 2018, are applicable, limited to IFRS 12, from 1 January 2017.

New accounting principles, interpretations and amendments effective for periods after 31 December 2017, not adopted early by the Company

Below is a list of the new accounting principles, amendments and interpretations that will be applied by the Company coming into effect after the year ended 31 December 2017;

- *IFRIC 22 Foreign Currency transactions and advance consideration* – issued on 8 December 2016. The interpretation applies to transactions in foreign currency if a company records a non-monetary asset/liability that originates from the payment or the collection of an advance before the company records the asset, the cost or the income. IFRIC 22 clarifies the identification methods of transaction dates in foreign currency in order to calculate the exchange rate to use at the initial recognition of the asset, cost or income following the derecognition of a non-monetary asset/liability. IFRIC 22 clarifies that, in the application of paragraphs 21-22 of IAS 21, the date to use for the calculation of the exchange rate to use at the initial recognition of the asset, cost or income is the date on which the company recorded the non-monetary asset/liability associated with the advance. In the presence of multiple payments the company will decide on a date for each payment or collection resulting from financial advances. The above-mentioned interpretation will apply, after endorsement, to all financial years starting from 1 January 2018. Early adoption has also been granted;
- *IFRIC 23 Uncertainty over Income Tax Treatments* – issued on 7 June 2017. The interpretation clarifies the application implications 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 should decide whether to consider each uncertain tax position separately or jointly with others taking into consideration that this approach fits in better with resolving the actual uncertainty also bearing in mind the practice adopted for filing returns to the tax authorities and the examination methods of the latter;
- a company should assume that the tax authorities will examine the documents and all the necessary information relating to the uncertainty for treatment and resolution;
- a company should evaluate the probability of the tax authorities accepting the proposed tax treatment associated with a transaction from the uncertain tax treatment. If the probability of the tax authorities accepting it is high, then the company should calculate the taxes in line with the planned tax treatment. If the probability of them accepting it is low, then the company should reflect the uncertainty in the tax estimate using one of the following methods: i) *most likely amount*; ii) *expected value*. If the tax uncertainty impacts current and deferred taxes, the company should make the best estimate for the purpose of both current and deferred taxes;
- at every accounting closing the company should evaluate whether the events and circumstances on which it based its judgement have changed over the course of time after inception. In the case of changes in events and circumstances, IAS 8 is applicable. In addition, a company should apply IAS 10 to establish whether the change that took place between the reporting date and the approval date of the financial statements is an adjusting or non-adjusting event.

The above-mentioned interpretation will apply, after endorsement, to all financial years starting from 01 January 2019. Early adoption has also been granted.

- *Annual Improvements to IFRS standard 2014-2016 Cycle* – issued on 8 December 2016. The document contains formal changes and clarifications of existing principles. More specifically, several amendments were introduced to the following principles:
 - *IFRS 1 – First time adoption*: changes were made to the application date of some principles applicable to cases of early adoption of IFRS;
 - *IAS 28 - Investments in Associates and Joint Ventures*: an exemption to the application of the equity method was introduced if an equity investment in an associate company or a joint venture is held directly or indirectly by an entity that is either a risk capital investment company, or a mutual fund, an investment fund or similar entities. In such cases the entity can decide the value these investments at the fair value recorded in the operating profit (loss) for the year in compliance with IFRS 9. Additionally, if an entity which is not itself an investment entity has an equity investment in an associate company or joint venture which is an investment entity, when the equity method is applied it can decide to take the fair value measurement applied by this associated investment entity or joint venture to the equity investments in the subsidiaries of the associated investment entity or the joint venture into consideration.

The Company does not anticipate impacts resulting from the application of the amendments made to the above-mentioned principles. The annual improvement, endorsed by the European Union on 7 February 2018, apply from 1 January 2018 to the latter.

- *Amendments to IFRS 2: Classification and Measurement of Share based Transaction* – issued on 20 June 2016 and awaiting endorsement by the European Union. Specifically, clarifications were introduced for the treatment of vesting conditions and share-based payment transactions regulated by cash. The latter are also subject to vesting conditions subject to the reaching of result growth targets and in the pricing of stock. Specifically, the vesting conditions, unlike market conditions, do not have to be taken into consideration in the estimation of the fair value at the measurement date. In contrast, the vesting conditions, unlike market conditions, should be taken into consideration in calculating the number of allocations included in the scope of the calculation. In addition the entity should recognise the cost proportionally to the vesting period based on the best estimate of the number of allocations estimated at the measurement date. The estimate can also be revised in subsequent years if additional information indicates a different number of allocations. Market conditions should be taken into consideration to estimate the fair value of cash settled share based payments and in remeasuring the fair value at the end of each reporting period and at the regulation date. The cumulative application of services received corresponds to the cash paid. Recently the new principle introduced several sections that govern cases of share based transactions that involve the application of withholding tax by the employer and payment to the tax authorities in name of and on behalf of employees, which also requires full disclosure.

The Company is evaluating possible impacts associated with the changes of IFRS 2 which will be applicable, after endorsement, from 1 January 2018.

- *Amendments to IAS 28: Investments in Associates and Joint Ventures* – issued on 12 October 2017, applicable, after endorsement, from 1 January 2019. The principle clarifies that an entity applies IFRS 9, rather than the provisions of IAS 28 to interests held in an associate or joint venture to which the equity method is not applied (long-term interest).
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement* – issued on 7 February 2018, applicable, after endorsement, from 1 January 2019. The EFRAG endorsement advice should be available in the first quarter of 2018. The change to IAS 19 addresses the accounting in the presence of a change, reduction or adjustment of a plan (“employee benefit”) during a reporting period. The changes to IAS 19 require the entities to use updated actuarial theories in calculating the service cost and the net interest for reporting periods after the above-mentioned change; in contrast, the change to the principle does not address the accounting of significant market fluctuations if there are no changes to a plan.

- *Annual Improvements to IFRS standard 2015-2017 Cycle* – issued on 12 December 2017. The document contains formal changes and clarifications of existing principles. More specifically, the following principles have been amended:
 - *IAS 12: Income Taxes: Income tax consequences of payments on financial instruments classified as equity*: the changes clarified 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 changes clarify that an entity should deal with each loan obtained for the specific qualifying asset in the same way as funds obtained not for a specific asset, if all the necessary activities have essentially been carried out to configure a qualifying asset for use or for sale.

The Company is evaluating the impacts associated with the future application of the cycle of updates. The principle will be applicable, following endorsement, from the years after 1 January 2019.

- *IFRS 9 – Financial Instruments* - issued in its final version on 24 July 2014, replacing the current IAS 39 *Financial Instruments: Recognition and Measurement* superseding all previous versions. The principle applies to financial years from 1 January 2018 and its early adoption is permitted. The final version of IFRS 9 represents the result of the three implementation phases of the project that led to the replacement of IAS 39, relating to the classification and measurement of financial instruments, impairment and hedge accounting. IFRS 9 provides a unique approach to classification for all types of financial assets, including financial assets that contain embedded derivatives. All financial assets are classified in their entirety rather than being subject to complex bifurcation arrangements for the related values. In order to define the methods through which financial assets should be classified and measured, the business model applied to the Company should be considered for managing financial assets and the characteristics of the related cash flows.

Financial assets at amortised cost are required under the scope of a business model whose purpose is to hold the assets until maturity and collect the cash flows, unlike financial assets classified and measured at the fair value and allocated to the comprehensive income state which concern assets held in a business model whose purpose is achieved by either collecting the contractually agreed cash flows or by selling the financial assets. This measurement category assumes the information required both for the assets classified at the amortised cost and for the assets classified at fair value and allocated to the comprehensive income statement.

With regard to the classification and measurement of financial liabilities, IFRS 9 has essentially replicated the accounting treatment in IAS 39 with some slight amendments. The majority of financial liabilities continue to be measured at amortised cost; in addition, the option to measure financial liabilities at fair value through the income statement is still available in certain circumstances.

The principle introduces new provisions for the evaluation of financial liabilities at fair value, according to which changes in the fair value of a company's debt should be recorded in the comprehensive income statement and not in the income statement. These requirements are already available for adoption without applying the further provisions of IFRS 9 in their entirety.

In addition, the principle identified a new impairment model that provides users of financial statements more information about the company's expected losses. IFRS 9 also includes a new hedge accounting model, with the aim of aligning the accounting treatment with the risk management methods and establishing a model with a greater focus on objective criteria, a principles-based approach.

With reference to the scope of the updates planned by the principle, a project was launched in 2017 through the establishment of working groups with the aim of identifying potential impacts on the financial statements and any adjustments to the financial information internal control system. The analyses specifically involved: i) the methods for calculating the market value of minority investments which, based on the accounting principle currently in force, can be valued at cost when the fair value cannot be reliably calculated; ii) the impairment models involving credits and asset contracts.

Refer to the next section **Impacts resulting from the adoption of new principles** for information relating to the expected impacts of the adoption of the accounting principle.

IFRS 9 Prepayment features with negative compensation – issued on 12 October 2017. The aim of amendments is to address the issue of the classification of particular categories of financial assets with the possibility of early regulation. These amendments govern the situation in which the party exercising the early regulation option for a financial asset could receive a compensation payment from the other party. This case is known as negative compensation. As the result of an agreement of this type, a lender could be forced to accept an early payment that is substantially lower than the amount of principal and interest not collected. The financial asset in question should be measured at the amortised cost or at the fair value through OCI based on the reference business model.

The Company is evaluating possible impacts associated with the changes of IFRS 9 which will be applicable, after endorsement, from 1 January 2019.

- *IFRS 15 Revenue from contracts with customers* - issued on 28 May 2014, on 11 September 2015
Amendments to IFRS 15: effective date of IFRS 15 was then issued. The new principle will be applied to all contracts with customers in accordance with the scope of application set out within the actual standard. The new principle establishes a global framework for recording revenues and measuring them, based on the criterion of recording revenues at the time of the transfer of goods or services promised to customers in an amount which reflects the contractual consideration with regard to said goods or services. This criterion is applied under the scope of a methodology which can be summarised in 5 stages: identification of the contract with the customer (step 1); identification of the performance obligations (step 2); determining of the transactions price, or the consideration that can be reasonably

expected (step 3); allocation of the transaction price to every single performance obligation based on the stand-alone selling price of each of the goods or services promised in the contract (step 4); recording of revenues on the satisfaction of the performance obligation through the transfer of the goods or services. The transfer to the customer coincides with the time the customer obtains control of the goods or services (step 5). The principle will be applicable to financial years starting from 1 January 2018.

Clarifications to IFRS 15 Revenue from contracts with customers - issued on 12 April 2016, it includes several amendments to the principle in order to clarify aspects related to the practical expedients identified by IFRS 15 and several issues discussed under the scope of the “*Joint Transition Resource Group*” created jointly by the IASB and the FASB. The object of these clarifications is to provide interpretations relating to the requirements of IFRS 15 but not to distort its formulation. In common with IFRS 15 the related clarifications will be applicable to the year beginning 1 January 2018.

In 2017 the Company organised working groups and, as a result, launched a project designed to assess potential impacts on the financial statements and verify any financial information internal control system adjustments through the identification of critical cases. These analyses are directed at:

- (i) identifying the scope of the contracts included under IFRS 15;
- (ii) analysing the above contracts to identify the main cases affected by the application of IFRS 15 (identification of performance obligations, methods to progress the obligations and ensure satisfaction over time and identification of the stand-alone selling price);
- (iii) calculating the economic-financial effects, the disclosure requirements and the impact on the control system relating to financial information, resulting from the contract analysis activity.

Refer to the next section **Impacts resulting from the adoption of new principles** for information relating to the expected impacts of the adoption of the accounting principle.

- *IFRS 16 Leases* - issued on 13 January 2016, replaces the previous standard IAS 17 Leases and related interpretations, establishes the criteria for the recognition, measurement, presentation and disclosure of leasing agreements for both parties of a contract, for examples the lessee and the lessor. Although maintaining the definition of lease agreement already set out in IAS 17, the main change introduced by IFRS 16 consists of the introduction of the concept of control under the scope of the actual definition. Specifically, IFRS 16 requires the evaluation of whether or not the lessee has the right to control the use of an asset for a given period of time. IFRS 16 eliminates the classification between operational and financial leasing and introduces a unique method for recording all lease agreements in the accounts. The standard will be applicable to financial years starting from 1 January 2019.

The Company is evaluating the impacts of the future application of the new arrangements.

- *Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associates or joint ventures* - on 11 September 2014 the IASB published amendments to IFRS 10 - Consolidated

Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, in order to coordinate the accounting framework governing sales transactions or the transfer of assets between an investor and its associates of joint ventures. The amendments introduced are designed to clarify the accounting treatment with regard to profits or losses resulting from equity-accounted transactions with joint ventures or associates. These amendments have not yet been approved by the European Union, however the Company does not expect significant accounting effects resulting from the application of the amendments. EFRAG recommended the European Commission to postpone the endorsement process for these amendments until the IASB project on the derecognition of profits and losses resulting from transactions between a company and its associate or joint venture is completed.

Impacts resulting from the adoption of the new principles

IFRS 9 Financial instruments

In 2017 the Company carried out a detailed analysis into the impacts of all the aspects dealt with by IFRS 9. Broadly speaking, the Company does not expect there to be significant impacts on its statement of financial position and shareholders' equity with the exception of the applications of the requirements of IFRS 9 on the issue of impairment. With regard to expected losses, the Company expects to have to set aside a greater amount which will lead to a negative impact on shareholders' equity, as discussed below. The Company will not make changes to the classification of its financial instruments and the hedge accounting provisions will not affect the methods for measuring the derivative instruments currently held by the Company.

a) Classification and valuation

The Company does not expect there to be significant impacts on its financial statements and shareholders' equity as a result of the application of the classification and valuation requirements of IFRS 9.

Specifically, it is expected that financial assets which are currently accounted at fair value will continue to be measured at fair value.

Other financial assets, including trade receivables, are held for collection at the contractual maturity of the cash flows with reference to the principal and interest. The Company has analysed the characteristics of the contractual cash flows of these instruments and concluded that they comply with the criteria for valuation at the amortised cost in accordance with IFRS 9. Therefore there is no need to reclassify these financial instruments.

As far as financial liabilities are concerned, all bank loans and the bond issued in 2015 are measured through the amortised cost method. In this respect, the introduction of IFRS 9 should not cause significant changes to current accounting treatment.

b) Impairment

IFRS 9 requires the Company to record expected credit losses on all obligations in the portfolio, loans and trade receivables, using either a period of 12 months or the entire contractual term of the instrument as a reference (e.g. lifetime expected loss) based on the decision to adopt the general or simplified model, rather than a combination of the above-mentioned models.

The Company has decided to apply the following approach to calculating expected credit losses at 31 December 2017.

- *Regulated market:*
 - General model: with reference to the receivables attributable to the main carriers in terms of turnover, an analytical approach was adopted for calculating losses on credits, in other words write-downs were calculated taking into consideration not only financial exposure but also the probability of default of the carriers (extrapolated from the information provider Bloomberg) and an estimate of the loss percentage in the case of insolvency. Under the scope of the general model the positions relating to bankrupt companies were also included, with a specific valuation of the expected credit loss carried out.
 - Simplified model: this model, for cases of trade receivables and contract assets resulting from transactions under the scope of IFRS 15, was applied to open positions remaining from the general model, using a distinct approach for the following cases: en-route receivables, terminal receivables and a separate valuation was carried out with regard to active and inactive carriers under this scope. The provision matrices were defined through an approach based on the risk of default, as well as by nature and type, also by expiry band (default rate), calculated taking into consideration adjusted historical data in order to incorporate possible corrections resulting from the inclusion of forward-looking parameters.
- *Non-regulated market:*
 - General model: analytical evaluations have been conducted for a portion of past due credits, for which legal rulings have been issued and/or reasonable valuations of the partial and/or total recoverability of the receivable;
 - Simplified model: the provision provision has been adopted through an approach based on the risk of default by expiry band (default rate), taking into consideration adjusted historical data, in order to incorporate possible corrections resulting from the inclusion of forward-looking parameters.

With regard to other financial assets of a non-commercial nature valued at amortised cost, it is not believed that a change in the credit rating compared with the initial measurement has emerged and there appears to be no probability of default in the next 12 months.

The Company has decided that, at the outcome of the above-mentioned analyses, the provision for expected credit losses with specific reference to trade receivables, will increase by around €450 thousand.

c) Hedge accounting

The Company established that the existing hedge accounting currently intended as effective hedging will continue in accordance with IFRS 9. Given that IFRS 9 does not modify the general principle on the basis of which an entity accounts effective hedging, for the purpose of defining hedging, the application of the requirements of IFRS 9 will not have significant effects on the financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers

The Company expects to apply the new standard from the mandatory effective date accounting for the cumulative effect of this principle at the initial application date (modified approach). In 2016, the Company conducted a preliminary evaluation of the effects of IFRS 15, which continued and was concluded with a more detailed analysis in 2017.

The results of the analyses conducted by the Company at 31 December 2017 are listed below, with regard to the provision of En-Route and Terminal services, separated into regulated and non-regulated markets.

- *Regulated market:* the provision of air traffic control services (both with regard to carriers, via Eurocontrol, and the Ministry with regard to exempt flights) in both en-route and terminal components, represent two different and separated performance obligations according to the standard, complied with over time, taking into consideration that customers simultaneously receive and use the benefits resulting from the provision of services by the Parent Company gradually as it supplies them. For the purpose of evaluating the progress towards full compliance with the obligation, the Company has adopted an evaluation method based on the outputs (measured by the service units for en-route and terminal services). Through this method the revenues are actually measured on the basis of direct evaluations of the value that the services provided until the date considered have for customers compared with the services promised in the contract which have yet to be provided, including the revenue adjustment component resulting from the balance mechanism, which makes it possible to measure the value of the services provided to customers. This mechanism includes a significant financial component with a time horizon of more than 12 months in conformity with paragraphs 60 et.seq. of IFRS 15; specifically, in calculating the price of the operation, the Company will adjust the amount of the revenues to take into account the effects of the temporary value of money. The effects of this component (interest) will continue to be reported separately from revenues from contracts with customers.

No significant impacts have emerged, following the above-mentioned analyses, that could produce a change in the initial shareholders' equity values at 1 January 2018 since already now the revenues represent the measurement of performance to customers, with regard to which the balance is an information detail.

- *Non-regulated market:* a detailed analysis of active sales contracts has been carried out. The Company mainly provides training, flight inspection and aeronautical consulting services. The following has emerged from the analyses conducted:

- aeronautical consulting services are mainly contracts recognised over time, in which in many cases the practical expedient in IFRS 15 was adopted for measuring progress based on billing, in limited cases methods based on input.

Even where multiple obligation performances have been identified under the scope of the same contract, the stand alone selling prices were consistent with the contractual considerations, taking into account that they were calculated on the basis of a quantification of man hours including a contract margin applied to each performance obligation. Similar considerations are applicable to any optional considerations (limited cases), which do not confer an unconditional right on customers.

Under the scope of certain sales contracts there are variable considerations (essentially penalties for lateness with a defined maximum ceiling) for which a careful evaluation of the most likely amount has been carried out, based on historical analyses and an evaluation of the counterparty.

Following the analyses marginal impacts emerged, below €10 thousand with a simultaneous emergence of contract assets, taking into account that a large number of the contracts were billed close to the year-end, many contracts ran out by the year-end and ceased to produce economic effects and in many cases the measurement of progress was based on the above-mentioned practical expedient;

- Flight inspection contracts are mainly measured at a point in time, excluding an over time contract through the practical expedient. The Company does not expect impacts attributable to flight inspection services.
- An over time measurement method was adopted under the scope of training contracts for the most important contract, which did not produce effects on an annual basis taking into consideration that it was billed in full at 31 December 2017.

In conclusion, no significant impacts were produced on an annual basis on the economic and financial position of the Company, other than limited to the impacts mentioned previously under the scope of aeronautical consulting services.

Notes to the statement of financial position

5. Tangible assets

The table below contains the size of the tangible assets at the beginning and end of the year and the changes that took place in 2017.

	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
Historical cost	465,200	1,748,957	303,657	321,896	245,907	3,085,617
Accumulated depreciation	(185,544)	(1,286,312)	(247,105)	(290,393)	0	(2,009,354)
Net amount 31.12.2016	279,656	462,645	56,552	31,503	245,907	1,076,263
Increases	29,597	83,357	16,101	3,905	109,447	242,407
Disposals - historical cost	(42)	(6,676)	(4,154)	(14,901)	0	(25,773)
Disposals - accumulated depreciation	42	5,672	3,981	14,889	0	24,584
Reclassifications	0	(5)	0	0	(134,517)	(134,522)
Impairment losses	0	0	0	0	0	0
Depreciation	(18,077)	(95,361)	(13,612)	(8,174)	0	(135,224)
Total changes	11,520	(13,013)	2,316	(4,281)	(25,070)	(28,528)
Historical cost	494,755	1,825,623	315,604	310,900	220,837	3,167,719
Accumulated depreciation	(203,579)	(1,375,991)	(256,736)	(283,678)	0	(2,119,984)
Net amount 31.12.2017	291,176	449,632	58,868	27,222	220,837	1,047,735

There was a net negative change in tangible assets in the year of €28,528 thousand as a result of the following events:

- depreciation for the year of €135,244 thousand (€135,488 thousand in 2016);
- increases in tangible assets totalling €242,407 thousand, including €132,960 thousand relating to investments made and that came into use during the year. Note: i) the wind shear detection system at Palermo Airport which, using a network of air speed indicators for measuring wind near the ground and radar and lidar type meteorological sensors make it possible to detect turbulence on the aircrafts approach path; ii) the new air-to-ground radio centre and airport LAN at the airport of Bergamo Orio al Serio; iii) EATMS build, radar and flight data presentation software for use by controllers (CWP Controller Working Position) with a prototype set of functions designed to allow the execution of a series of SESAR tests jointly with the Coflight product. This software, with all functional and technical details to be completed later with the 4Flight contract, is the basis of the presentation of the future ATM platform; iv) the service centre at the Area Control Center (ACC) of Roma Ciampino where several offices have been allocated to the Parent Company; v) the AMHS programme (Aeronautical Message Handling System) is a system that allows the acquisition and relaunch onto the international network of all flight plan distributions, Notam and weather forecasts in accordance with the ICAO standard that connects all global providers; vi) the new power plant servicing the Rome Ciampino Area Control Centre and the airport of Genoa; vii) a plan of the service centre at the Rome Ciampino Area Control Centre which houses the offices of the Controller; vi) the adjustment and technological upgrading of the

CNS/ATM systems at various airport sites with regard to the E-NET virtual network voice operating service; viii) the adaptation of the 8.33 kHz ground-to-air radio equipment for the Milan Area Control Centre; ix) the modernisation of weather systems at various airport sites; x) the maintenance of various systems.

The increases of €109,447 thousand refer to tangible assets under construction involving the progress of investment projects, some of the most important of which are: i) the 4-flight project, the goal of which is to develop the entire ATM technological platform of ACCs based on SESAR operating concepts and taking into the Coflight system as a basic component. With regard to the new generation flight data processing system called Coflight which supports controllers in calculating the expected flight path, produced in conjunction with the Parent Company and the French provider DSNA, the development of the V3R2 and V3R3 versions was launched in 2017 which will be integrated in the 4-flight project; ii) the expansion of the Forlì Academy training school which will include the construction of a new integrated technology hub; iii) the implementation of the 2000 data link system for the transmission of ground to air data which will allow the replacement of voice communication between controllers and pilots with text communication in the process of being installed at three Area Control Centers; iv) the integration of the ERATO (En-Route Air Traffic Organizer) system, which supports controllers in managing air traffic identifying potential conflicts and highlighting the elements to be evaluated for solving these situations, in the SATCAS (Standard Air Traffic Control Automation System); v) the automation programme for the operation of control towers towards full electronic management at six airports in the process of realisation at the Milano Malpensa airport tower; vi) an airport tracker radar data fusion system for the airports of Milano Linate and Milano Malpensa.

- a decrease in tangible assets under construction totalling €134,517 thousand including the classification of €132,960 thousand referring to investment projects that have been concluded and came into operation classified in its own item, €552 thousand for the reclassification of several operational system components under inventories for spare parts, €173 thousand for the reclassification of several projects under the correct item in intangible assets;
- a decrease in several out of commission systems being replaced following the technological modernisation which have revealed a capital loss of €1,189 thousand.

Note that part of the investments, with a historical cost of €242,239 thousand, is financed by capital grants recognised as part of the National Operating Program (NOP) for Transport for the years 2000-2006 and 2007-2013 for initiatives at southern airports and grants assigned by the Ministry of Infrastructure and Transport for investments in military airports, in accordance with Italian Law 102/09. The capital grants recognised for these investments are accounted for as other liabilities and released to the income statement in line with the depreciation of the investments to which they refer. The amount attributable to the year came to €9,732 thousand.

6. Intangible assets

The table below contains the size of the intangible assets at the beginning and end of the year and the changes that took place in 2017.

	Industrial patent and intellectual property rights	Other intangible assets	Asset under construction	Total
Historical cost	124,095	2,085	44,619	170,799
Accumulated amortisation	(112,191)	(2,085)	0	(114,276)
Net amount 31.12.2016	11,904	0	44,619	56,523
Increases	9,807	0	8,338	18,145
Disposals	0	0	0	0
Reclassifications	0	0	(9,807)	(9,807)
Impairment losses	0	0	0	0
Amortisation	(7,088)	0	0	(7,088)
Total changes	2,719	0	(1,469)	1,250
Historical cost	133,902	2,085	43,150	179,137
Accumulated depreciation	(119,279)	(2,085)	0	(121,364)
Net amount 31.12.2017	14,623	0	43,150	57,773

Intangible assets totalled €57,773 thousand and a net increase of €1,250 thousand was recorded with the following changes:

- amortisation for the year of €7,088 thousand (€8,833 thousand in 2016);
- the increases in intangible assets totalling €18,145 thousand including €9,807 thousand which refers to investment projects completed during the year and which came into use involving: i) the NOAS project (New Operational Area System), involving the optimisation of the systems already developed by Enav through the Airnas and Athena projects aimed at maintaining Single European Sky certification and the integration of the AIS and Weather databases; ii) the monitoring and analysis system for the ATM system called AIDA; iii) the upgrading of the ERP Oracle management system to release 12x and business intelligence. €8,338 thousand of the increase refers to investment projects in progress including the activities related to the implementation of a joint ERP by Enav and the subsidiary Techno Sky;
- the decreases in intangible assets of €9,807 thousand refer entirely to investment projects concluded that came into use classified in its own item.

7. Investments

Investments stood at €147,071 thousand and the changes during the year were as follows:

	31.12.2016	Increases	Decreases	31.12.2017
Investments in:				
subsidiaries	142,412	4,492	0	146,904
other companies	167	0	0	167
Total	142,579	4,492	0	147,071

The increase of €4,492 thousand in the investments in subsidiaries refers entirely to the subsidiary Enav North Atlantic following the payment of the amount necessary for the acquisition of the fourth and final instalment of the price for Aireon LLC shares.

Enav North Atlantic, a company under America law, established as a Limited Liability Company, assumed the obligations from the subscription agreement signed in December 2013 for the acquisition of 12.5% of the shares of Aireon, a U.S. company of the Iridium Group, whose corporate purpose is the provision of services instrumental to air navigation surveillance activities by means of dedicated equipment, called payload, installed on board 66 Iridium operating satellites which have enabled the first global satellite surveillance system for air traffic with surveillance coverage in areas not currently covered by radar. The acquisition of the investment took place through payment in four instalments, and the one delivered in 2017 was the last one making a total investment of USD 61.2 million and a 10.07% stake held at 31 December 2017 which, as a result of a redemption clause in the obligations of the subscription agreement, is expected to rise to 12.5%. At 31 December 2017 the value of the investment in Enav North Atlantic stood at €47,553 thousand. The carrying amount of the investment in Enav North Atlantic reflects the recoverability assumptions associated with the investment in Aireon LLC, reported under the scope of the results of the impairment test pursuant to Note 9 *Investments in other companies* to the consolidated financial statements.

The total share in Techno Sky of €99,224 thousand was recorded under investments in subsidiaries. This carrying amount of the investment, higher than the corresponding shareholders' equity portion was subject to an impairment test at 31 December 2017 in order to assess the recoverability of the amount recorded. The recoverable amount was estimated based on the cash flows projected in the 2018-2022 economic-financial plan prepared by the subsidiary Techno Sky, discounting the cash flows using the Discounted Cash Flow method (DCF). The discount rate used was the WACC (Weighted Average Cost of Capital) of 8.3% with a growth rate for operating cash flows in nominal terms, after the explicit period, equal to 1.5% consistent with the current reference macro economic projections (Euro Zone inflation) and in line with 2016.

As far as the revenues for the 2018-2022 plan are concerned, the management of Techno Sky made observations regarding the three underlying components: revenues from Enav for capital grants for maintenance activities, revenues from Enav for operating grants for development activities and non-regulated market contracts. In the reference period the plan reported moderate overall growth (CAGR 1.8%) due to a general increase in activities to be carried out with regard to the Parent Company, and from

2018 also for the insourcing of former SICTA resources. The share of "Revenue from operating grants" includes the renewal of the global maintenance contract from 2019 and the expansion of Global Service related activities. The share of "Revenue from capital grants" fell slightly on account of two combined effects: lower planned maintenance activities in accordance with the Enav technical area and an increase in line with Enav CAPEX, with the contract development plan and with projects implemented by former Sicta RSS personnel. The company plans to undertake commercial activities on the non-regulated market through the acquisition of new contracts outside the EU.

Fixed costs were forecast to be in line with actual costs in previous years. The assumptions on which the company based the development of the economic-financial plan on can be traced to knowledge of the reference market, the information received from the Group Commercial Development Function and objective data referring to the company's core business activities.

Following the test the recoverable amount was higher than the book value and, as a result, no impairment was recorded. The recoverable amount for the purpose of the impairment test reports headroom compared with the corresponding book values amounting to around €26.9 million with an overall value of €126.1 million.

For the purpose of the sensitivity analysis, an increase in the WACC of 0.3% was assumed, and keeping the growth rate at 1.5%, the recoverable amount of the investment would be reduced to €120.6 million. Assuming an increase in the WACC of 0.3% and applying a growth rate of 0.75%, the recoverable amount of the equity investment would be reduced to €111.1 million.

Investments in subsidiaries also includes the 100% stake in Enav Asia Pacific with its headquarters in Kuala Lumpur, Malaysia.

Investments in other companies include the 16.67% share held in the share capital of the company under French law ESSP SaS, a company in which the main European service providers have a stakeholding and whose corporate purpose is the management of the EGNOS satellite navigation system and the provision of related services, for an amount of €167 thousand. Dividends were collected from ESSP in May 2017 totalling €417 thousand.

For the comments on the performance of subsidiaries in 2017, please refer to the specific section in the Report on operations.

The breakdown of the investments held at 31 December 2017 with details of the share owned and the book value, are given below.

Name	Office	Balance sheet date	Share Capital	Profit (loss) for the year	Equity on 31.12.2017	share %	Pertaining Shareholders' Equity	Book value at 31.12.2017
Subsidiaries								
Techno Sky S.r.l.	Roma	31.12.2017	1,600	6,288	20,463	100%	20,463	99,224
Enav Asia Pacific	Kuala Lumpur	31.12.2017	127	967	2,085	100%	2,085	127
Enav North Atlantic	Miami	31.12.2017	44,974	(59)	44,912	100%	44,912	47,553

The breakdown of the investment classified in assets held for sale which have a shareholders' equity higher than the book value is given below:

Name	Office	Balance sheet date	Share Capital	Profit (loss) for the year	Equity on 31.12.2017	share %	Pertaining Shareholders' Equity	Book value at 31.12.2017
Subsidiaries classified as assets held for disposal								
SICTA Consortium	Naples	31.12.2017	1,033	41	1,517	60%	910	705

8. Current and non-current financial assets

Non-current financial assets stood at €2,986 thousand and refer entirely to the intragroup loan supplied at the beginning of February 2017 to the subsidiary Enav North Atlantic to endow it with the necessary liquidity to pay the third instalment of the price of the investment in Aireon which was paid in February 2017. The loan amounted to USD 3.5 million with interest accruing at the annual rate of 2.5% and is due in one go at 31 December 2021 with the possibility of early repayment before this date.

Current financial assets stood at €325 thousand (€1,221 thousand at 31 December 2016), a decrease of €896 thousand, referring €1,221 thousand to the conclusion of the derivative contract signed in December 2013 by Enav for the forward currency purchase, in USD, divided into four instalments with the last instalment exercised in 2017, corresponding to the payment of the last portion for the purchase of the investment in Aireon. The positive change of €325 thousand refers to the positive fair value of the financial instrument agreed by Enav for the purpose of hedging the exposure against an unfavourable change in Euro/AED exchange rates relating to future collections in foreign currency concerning a two-year active contract, expiring in 2018, defined with the Abu Dhabi General Aviation Authority for the project for optimising air traffic flows in the United Arab Emirates. At 31 December 2016 this instrument has a negative fair value classified under non-current financial liabilities.

The derivative contract represents a perfectly effective hedge and is accounted for in accordance with the cash flow hedge method. Refer to note 35 of the consolidated financial statements for all information required under IFRS 7.

9. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities, as well as deferred tax assets that can be offset, where possible, with the deferred tax liabilities are reported in detail in the table below, with amounts impacting profit and loss and those impacting other items of comprehensive income (shareholders' equity) highlighted separately.

	31.12.2016		Incr./decr. with impact on Income Statement		Incr./decr. with impact on Shareholders' Equity		31.12.2017	
	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities
Deferred tax assets								
Taxed provisions	55,827	13,398	4,819	1,157	0	0	60,646	14,555
Write-down of inventories	9,002	2,161	117	28	0	0	9,119	2,189
Discounting on receivables	3,858	993	(2,329)	(604)	0	0	1,529	389
Tax effect of IFRS conversion	202	58	(135)	(39)	0	0	67	19
Discounting employee severance indemnity	1,940	467	0	0	(54)	(13)	1,886	454
Employee severance indemnity non-deductible portion	1,469	353	(372)	(89)	0	0	1,097	264
Fair value of derivatives	52	12	0	0	(48)	(11)	4	1
Other	339	80	456	109	0	0	795	189
Total	72,689	17,522	2,556	562	(102)	(24)	75,143	18,060
Deferred tax liabilities								
Other	9,104	2,185	(703)	(169)	0	0	8,401	2,016
Discounting on debts	270	65	95	23	0	0	365	88
Tax effect of IFRS conversion	2,812	848	(263)	(85)	0	0	2,549	763
Fair value of derivatives	3,801	912	0	0	(1,143)	(274)	2,658	638
Total	15,987	4,010	(871)	(231)	(1,143)	(274)	13,973	3,505

The change in the year in deferred tax assets and deferred tax liabilities, which have a balance, at the end of 2017, respectively of €18,060 thousand and €3,505 thousand, is attributable to the following effects:

- the provisions and utilization from taxable funds, such as the risk provision, allowance for inventory losses and bad debt provision for the reasons reported in notes 11, 12 and 17;
- the reversal to the income statement of the deferred tax associated with the discounting of receivables and payables for balances both as far as the share for the year is concerned and, relating to the terminal balances of the third charging zone, the portion referring to the fair value of the receivable of €26 million at the 2017 year-end. This item also changed on account of the reporting of the deferred tax associated with the balances recorded in 2017:
- the accounting of employee severance indemnity according to the actuarial method, which shown an actuarial gain impacting other comprehensive income statement;
- the measurement at fair value of derivative financial instruments with recording in other comprehensive income statement;
- the default interest not collected which refers to 2017 and the reversal to the income statement of interest recorded in previous years for shares collected and/or cancelled;

The Company reasonably believes the deferred tax assets recorded on the basis of the prospective tax bases inferable in the business plan can be recovered.

10. Current and non-current tax receivables

Non-current tax receivables, unchanged with respect to 2016, amounted to €23,164 thousand and refer to the receivable for the higher IRES tax paid in 2007/2011 as a result of the failure to deduct IRAP relating to personnel and similar costs, as set out in the application for a refund submitted on 6 March 2013. Specifically, the right for a refund originates from Article 2 of Legislative Decree 201/2011 which recognised

the analytical deductibility of IRAP from company income, previously only recognised at 10 percent of the tax paid, a decree integrated later with Decree Law 16 of 2012, Article 4, paragraph 12 in order to extend this possibility to previous tax periods as well with effect from the 2007 tax period. With regard to the receivable repayment times, the provision of the Income Revenue Authority demands the repayments starting from the most distant tax periods and based on the order of the transmission of the telematic flows, and establishes the criteria in cases in which there is not full capacity of available funds, it was deemed prudential to classify this receivable under non-current assets.

Current tax receivables amounted to €15,165 thousand and include the receivables specified in the table below.

	31.12.2017	31.12.2016	Variation
Receivables from tax authorities for VAT	10,192	13,674	(3,482)
Irap receivable (regional income tax)	4,620	11,474	(6,854)
Other current tax receivable	353	1,492	(1,139)
Total	15,165	26,640	(11,475)

The **receivable from tax authorities for VAT**, equal to €10,192 thousand in total included a negative net change of €3,482 thousand with reference to the VAT repayment asked for in 2017 equal to €13,661 thousand including the interest income recorded in the year of €19 thousand. This change was partly offset by the VAT accrued in the year totalling €10,159 thousand, lower than previous years following the split payment mechanism introduced through Legislative Decree 50 of 24 April 2017 and the subsequent implementing decree, with effect from 1 July 2017, which places the obligation on the Company of paying VAT on purchases of goods and services directly to the tax authorities and only paying the supplier the taxable amount without the tax. This mechanism involved a lower VAT receivable because the one that accrued in the period mainly relates to the first half of 2017.

The **IRAP receivable** stands at €4,620 thousand and is made up of the receivable recorded in 2016 minus the IRAP for the year equal to €6,854 thousand.

The **other current tax receivable** stood at €353 thousand, a decrease of €1,139 thousand mainly through the collection of the entire IRAP receivable for the years 2004 and 2006 totalling €1,170 thousand plus interest income of €178 thousand.

11. Current and non-current trade receivables

Current trade receivables amounted to €281,987 thousand and non-current trade receivables, relating entirely to balance receivables, totalled €88,174 thousand and changed as follows during the year as illustrated in the table below.

	31.12.2017	31.12.2016	Variation
Current trade receivables			
Receivables from Eurocontrol	185,423	164,271	21,152
Receivables from the Ministry of Economy and Finance	13,932	13,299	633
Receivables from the Ministry of Infrastructure and Transport	30,000	30,000	0
Receivables from others	38,161	37,144	1,017
Balance receivables	70,200	28,781	41,419
	337,716	273,495	64,221
Bad debt provision	(55,729)	(48,980)	(6,749)
Total	281,987	224,515	57,472
Non-current trade receivables			
Balance receivables	88,174	153,539	(65,365)
Total	88,174	153,539	(65,365)

The **Receivables from Eurocontrol** relates to the fees from en-route and terminal revenues not yet collected at 31 December 2017 equal, respectively to €131,140 thousand (€114,417 thousand at 31 December 2016) and €54,283 thousand (€49,854 thousand at 31 December 2016) gross of the bad debts provision. The increase for the year totalling €21,152 thousand is mainly attributable to a greater turnover for both en-route and terminal recorded in the last two months of 2017 compared with the same period of the previous year and to receivable positions with regard to Alitalia totalling €17.9 million, which accrued before admission to the extraordinary administration proceedings which declared it insolvent and froze positions prior to 2 May 2017. With reference to this receivable, note that with regard to the en-route receivable in recognition of the activities carried out by Enav and other providers under the scope of Eurocontrol as essential for the continuation of Alitalia's activities, the commissioners asked the bankruptcy judge to pre-deduct the receivable recognising the entire amount and defining an agreement which makes provision for repayment in monthly instalments of variable amounts with effect from January 2018 (collected instalment) until September 2018. As far as the terminal receivable is concerned, although it has the same characteristics as the en-route receivable of which Enav took action for the purpose of recognition of standardised treatment, the regular process is currently being followed and, as commented on later, it was decided to make a prudential write-down of part of the receivable. The amount due from Eurocontrol, net of the portion directly attributed to the bad debts provision, comes to €140,229 thousand (€124,264 thousand at 31 December 2016).

The **Receivables from the Ministry of Economy and Finance (MEF)** was €13,932 thousand and relates in full to the en-route and terminal exemptions recorded in 2017 and an increase of €633 thousand compared with the previous year. The receivable for 2016 of €13,299 thousand was offset, following the approval of the 2016 financial statements, by the payable to the Air Force for collections involving en-route charges of €66,057 thousand which created a payable to the MEF of €52,758 thousand paid in December 2017.

The **Receivables from the Ministry of Infrastructure and Transport** includes the contribution for operating expenses, equal to €30,000 thousand, aimed at offsetting the costs incurred by Enav to guarantee the

security of its plants and operational safety, as required by Article 11, septies of Law 248/05. €30 million recognised in 2016 was also collected in December.

Receivables from others increased by €1,017 thousand compared with the previous year, and refers to the increased activities carried out by Enav in foreign markets and mainly contains positions not yet due including the receivable with regard to the General Civil Aviation Authority for the restructuring of the airspace in the United Arab Emirates and the customer Samana for flight inspection services provided in Saudi Arabia.

The **Bad debt provision** stood at €55,729 thousand and changed as follows in 2017:

	31.12.2016	Increases	Decreases		31.12.2017
			Utilizations	cancellations	
Bad debt provision	48,980	8,185	(895)	(541)	55,729

The increase in the year of €8,185 thousand refers to the write-down of doubtful receivables regarding positions with airline companies for en-route and terminal changes, which went bankrupt or are no longer operating following the withdrawal of their licence, and write-downs involving management companies that are in insolvency proceedings. Specifically, the write-down of €3.5 million refers to the terminal receivable due from Alitalia that accrued prior to the carrier being declared insolvent on 2 May 2017. As reported in Note No. 34 on the management of financial risks, although the receivables were recorded with regard to Eurocontrol, the evaluation of the credit risk is carried out for individual carriers because Eurocontrol cannot assume any credit risk following the possible insolvency of carriers, so this risk is the responsibility of the Company. This receivable which will follow the times defined by the extraordinary administration proceedings was prudentially written-down to take into account both the extended period for the recovery of the receivable and the inherent risk in the actual process, although discussions are being held with Alitalia to recognise the above-mentioned receivable in the same way as the en-route receivable. The utilisation of the bad debt provision for €895 thousand refers to receivables prudentially written down in previous years and collected in 2017, and for €541 thousand to the cancellation of positions no longer considered recoverable both with regard to en-route receivables and terminal receivables.

The utilisations were recorded in the income statement under *write-downs and lossess/(write backs)*.

The **Balance Receivables**, net of the effect of discounting, amounts to €158,374 thousand (€182,320 thousand at 31 December 2016), and is classified in current trade receivables for €70,200 thousand which, gross of discounting, refers to the portion that will be recovered in 2018 and therefore has been incorporated in the charge for the same year and €88,174 thousand of which is classified in non-current trade receivables, as it will be recovered after 2018 in compliance with the recovery plans established in

the performance plan and in the 2016-2019 programme contract also containing the balances recorded in 2017.

The net positive change in the current portion of the balance receivable of €41,419 thousand relates for €30,705 thousand to the reduction in the receivable following the allocation to the income statement of the portion in conformity with what is included in the charges for 2017; to the effect of the discounting totalling €506 thousand and to the reclassification to this item of the non-current balance receivable of €71,618 thousand which will be recovered in the 2018 charges.

The net negative change in the non-current balance receivable of €65,365 thousand is also due, in addition to the reclassification described above, to the offsetting of the terminal balance receivables for the third charging zone recorded in previous years with regard to Ministry of Economy and Finance for 2014 for €26 million, which therefore will no longer be subject to recovery in the charge. This offsetting was recognised by the same Ministry, on the basis of Article 51 of Decree Law No. 50 of 24 April 2017 converted into Law No. 96 of 21 June 2017 with the aim of limiting the charge increases for this charging zone. The remaining part of the change is mainly represented by the balances recorded in 2017 of €30,430 thousand.

Specifically, the balance receivable recorded in 2017, gross of the discounting effect, refers for €29,042 thousand to en-route balances and for €1,388 thousand to terminal balances. Specifically, the en-route balances refer to: i) the balance for traffic risk and the portion not recovered for balances recorded in previous years and included in 2017 charges totalling €21,829 thousand recorded following lower en-route service units actually generated compared with the planned figures in the performance plan (-6.2%); ii) a weather balance for €948 thousand calculated, in conformity with EU regulations, based on a cost recovery logic; iii) the route kpi capacity balance as a bonus for having exceeded the target defined in the performance plan which included a target of 0.11 minutes delay for en-route assisted flights with the Parent Company achieving a result of 0.009 minutes/flight. The economic quantification of this bonus, having reached the maximum level, led to the recording of a balance of €6,265 thousand.

The terminal balances refer to: i) the traffic risk balance for the first charging zone for €978 thousand following the lower service units for the airport of Roma Fiumicino actually generated compared with the planned figures in the performance plan (-5.4%); ii) the weather balance of the terminal first charging zone equal to €177 thousand; iii) the balance capacity for the two terminal charging zones subject to the performance plan which included a target of 0.02 minutes delay for flight arrivals for reasons attributable to the Parent Company, for the five airports subject to the performance plan, the overall delay for reasons attributable to the ATM was 0.01 minutes creating an overall economic quantification of €213 thousand of which €82 thousand was for the first charging zone and €131 thousand was for the second charging zone.

12. Inventories

Inventories, represented by spare parts, stood at €60,968 thousand, excluding the allowance for inventory losses, a net positive change of €96 thousand compared with the previous year on account of the lower number of acquisitions made in 2017. The change recorded in the year is represented below:

	31.12.2016	Increases	Decreases	31.12.2017
Fiduciary inventory	64,566	2,216	(2,096)	64,686
Direct inventory	4,565	600	(507)	4,658
Flight inspection inventory	743	0	0	743
	69,874	2,816	(2,603)	70,087
Allowance for inventory losses	(9,002)	(705)	588	(9,119)
Total	60,872	2,111	(2,015)	60,968

The increase of €2,111 thousand, net of the allowance for inventory losses, refers primarily to fiduciary inventory for the acquisition of spare parts for operating systems used in air navigation including spare parts for radar and luminous visual aids. Part of the increase equal to €552 thousand refers to parts of system classified as inventories from tangible assets. The decrease of €2,603 thousand gross of the allowance for inventory losses, regards uses of spare parts in operating systems.

The allowance for inventory losses is increased by €705 thousand, with an effect in the income statement in the change in inventories, due to the provision recognised for spare parts that have become obsolete in that they relate to systems that are no longer used, and decreased by €588 thousand due to the disposal of spare parts already written down in previous years.

The spare parts on the fiduciary inventory are at the warehouse of the subsidiary Techno Sky which manages it on behalf of Enav.

13. Receivables and payables to Group companies

Receivables to Group companies stood at €18,393 thousand (€21,745 thousand at 31 December 2016), a decrease of €3,352 thousand which refers mainly to the subsidiary Techno Sky. The credit position with regard to Techno Sky stood at €17,929 thousand (€21,489 thousand at 31 December 2016) and is mainly represented by the intercompany current account where advance payments made to the company during the year were recorded and later used to offset the accounts payable received. The account decreased by €3,693 thousand on account of the lower advance payments during the year.

Payables to Group companies stood at €45,151 thousand (€41,355 thousand at 31 December 2016), an increase of €3,796 thousand compared with the previous year. These payables, both with regard to the amount and the change, mainly relate to the subsidiary Techno Sky, with whom Enav has a payable of €43,950 thousand (€39,684 thousand at 31 December 2016) and mainly refer to invoices to be received for the last two months of the maintenance fee for both operating and non-operating systems, the maintenance of luminous visual aids and activities related to investment projects for Enav. Other payables

totalling €1,201 thousand (€1,671 thousand at 31 December 2016) involve open positions with regard to the Sicta Consortium in liquidation mainly for specialist support activities provided on various projects.

14. Other current assets

Other current assets totalled €10,431 thousand and a net decrease of €1,294 thousand compared with the previous year. The item breaks down as follows:

	31.12.2017	31.12.2016	Variation
Receivables from government entities for capital grants	3,397	3,995	(598)
Receivables from personnel	3,410	3,373	37
Receivables from various entities for projects funded	3,209	3,307	(98)
Security deposits	228	224	4
Accruals and deferrals	1,039	1,047	(8)
Other Receivables	2,183	2,834	(651)
	13,466	14,780	(1,314)
Bad debt provision	(3,035)	(3,055)	20
Total	10,431	11,725	(1,294)

The **receivables from government entities for capital grants** refers entirely to two projects funded by the Piano di Azione e Coesione (PAC) (Cohesion Action Plan) reported and not yet collected at 31 December 2017. The change for the year refers for €378 thousand to the adjustment of the receivable to the data reported which were presented most recently on 31 March 2017 and for €222 thousand to the collection of several projects.

The **receivables from personnel** refers to the travel advances paid to employees on business trip and not yet concluded at the end of the year, of which the significant part (€3,035 thousand) involves travel advances paid to former employees of the Parent Company, already the subject of an investigation by the judicial authorities and prudentially written-down in previous years. Following rulings 745/2011 and 966/2012 of the Court of Accounts, which ordered the defendants to pay the sums, several recovery plans were defined for the recovery of the receivable. In 2017 €20 thousand was collected which reduced the provision. By way of guarantee, the conservative sequestration of one fifth of the pensions, the TFS fund and the TFR was carried out, as well as the sequestration of the bank accounts and for some parties also their property.

The **receivables from various entities for projects funded** totalling €3,209 thousand recorded a net decrease of €98 thousand through the collection of various European projects which were completed and reported and the co-financed portion for the year specifically regarding the 2020 SESAR project.

Accruals and deferrals stood at €1,039 thousand and mainly refer to the fee paid to Banca Nazionale del Lavoro for granting a three-year committed line of credit with effect from 1 January 2017 until 31 December 2019 for €462 thousand after allocating the portion pertaining to 2017 to the income statement.

15. Cash and cash equivalents

Details of cash and cash equivalents at 31 December 2017 are provided below:

	31.12.2017	31.12.2016	Variation
Bank and post office deposits	257,519	213,705	43,814
Cash and cash equivalents on hand	31	39	(8)
Total	257,550	213,744	43,806

Cash and cash equivalents stood at €257,550 thousand recording a net positive change of €43,806 thousand which, in addition to the dynamics of collections and payments connected with ordinary operations which produced a positive cash flow, was affected by the following events: i) the payment of the dividend of €95.3 million; ii) the payment to the Ministry of Economy and Finance of €64.9 million as the net amount of the payable for en-route collections and the receivable from exempt flights; iii) the payment of loans of €31.3 million; iv) the payment to the Italian Air Force of the portion of terminal collections pertaining to it for €15 million; v) the payment of the balance and payments on account for IRES of €34.7 million. These outgoings were offset by the collections related to en-route and terminal institutional services and also collections received during the year referring to the €13.7 million repayment of the VAT receivable, prefinancing obtained for funded projects such as the Connecting Europe Facility, SESAR 2020 and other lesser amounts, as well as the taking out of an €80 million loan from the EIB.

There are no restrictions on cash and cash equivalents that may limit their availability.

16. Shareholders' Equity

The breakdown of Shareholders' equity at 31 December 2017 which stood at €1,141,670 thousand is given below.

	31.12.2017	31.12.2016	Variations
Share capital	541,744	541,744	0
Legal reserve	21,938	18,368	3,570
Other reserves	436,798	436,359	439
IAS FTA reserve	(3,045)	(3,045)	0
Reserve for actuarial gains/(losses) for employee benefits	(7,139)	(7,181)	42
Cash flow hedge reserve	2,017	2,849	(832)
Retained earnings/(accumulated losses)	54,852	82,365	(27,513)
Profit (loss) for the year	94,505	71,404	23,101
Total Shareholders' Equity	1,141,670	1,142,863	(1,193)

The **Share capital** is made up of 541,744,385 ordinary shares with no par value, with 53.28% owned by the Ministry of Economy and Finance and 46.72% owned by institutional and individual shareholders. At 31 December 2017 all the shares were subscribed and paid up, no preferred shares were issued and Enav does not possess treasury shares.

The **Legal reserve** is the part of profits which, according to the provision of Article 2430 of the Civil Code, cannot be distributed by way of dividends. In 2017, in conformity with the resolution of the Shareholders'

Meeting held on 28 April 2017, during the approval of the 2016 financial statements, 5% of the profit for the period, equal to €3,570 thousand, was allocated to the legal reserve.

The **Other reserves** included €36.4 million for the capital grants reserve received in the period 1996/2002 reported excluding the taxes that were discharged and therefore €400 million of the reserve became available from the allocation of the voluntary share capital reduction and €440 thousand from the reserve dedicated to the Group management long-term incentive plan in free shares.

The **IAS first time adoption (FTA) reserve** includes differences in the values of asset and liability items recorded upon first time adoption of international accounting standards.

The **Reserve for actuarial gains/(losses) for employee benefits** includes the effects of actuarial changes in employee severance indemnity, net of the tax effect. The change relates to the actuarial gain at 31 December 2017.

The **Cash flow hedge reserve** includes the valuation at fair value of the hedging derivative financial instruments which recorded a negative net change in the year of €832 thousand mainly through the conclusion of the derivative associated with the exchange rate changes for the purchase of USD, a transaction concluded in 2017.

Retained earnings include the results of previous years. The change of €27.5 million compared with the previous year is attributable to the distribution of the 2016 dividend approved by the Shareholders' Meeting of 28 April 2017 totalling €95.3 million (€0.176 per share) including amounts taken from the profits relating to previous years of €27.5 million.

The profit for the year stood at €94,505 thousand.

The table below contains the analysis of the shareholders' equity reserves with details of the possibility of utilisation, in compliance with the provisions of Article 2427 of the Civil Code and IAS 1.

	Amount	Possible uses
Capital reserves		
Other reserves	436,359	A, B, C
Earnings reserves		
Legal reserve	21,938	unavailable
IAS FTA reserve	(3,045)	unavailable
Reserve for actuarial gains/(losses) for employee benefits	(7,139)	unavailable
Cash Flow Hedge reserve	2,017	unavailable
Stock grant reserve	439	unavailable
Retained earnings/(accumulated losses)	54,852	A, B, C
Total reserves	505,421	

A: share capital increase; B: loss hedging; C: distribution to shareholders.

Capital management

The objectives identified by Enav under the scope of capital management are the creation of value for stakeholders and supporting future development. Specifically, Enav continues to maintain an adequate level of capitalisation which allows it to guarantee access to external sources of funding, at the same time trying to optimise the cost of debt and adequately support the development of Company activities. In the year ended 31 December 2017, no changes were made to the capital management objectives, policies or procedures.

17. Provisions for risks and charges

Provisions for risks and charges amounted to €9,165 thousand, of which the portion classified in current liabilities totalled €2,209 thousand. The change for the year is reported in the table below:

	31.12.2016	Increases	Absorption to profit and loss	Decreases	31.12.2017
Provisions for disputes with personnel	2,207	0	(324)	(216)	1,667
Provisions for other pending litigations	1,296	0	(377)	(9)	910
Other risks provision	7,211	0	0	(623)	6,588
Total provisions for risks and charges	10,714	0	(701)	(848)	9,165

The **Risk provision for disputes with personnel**, the short-term portion of which stood at €397 thousand, includes the liabilities that could emerge following employment disputes of various kinds. The provision was reduced by a total of €540 thousand of which €216 thousand was for the ending of disputes through conciliation with the opposing parties and €324 thousand resulted from the liabilities identified in the past by the Company. At 31 December 2017 the total value of legal claims relating to on-going disputes for which the lawyers have deemed the risk of a loss to be possible is €0.5 million.

The **Risk provision for other pending litigation**, the short-term portion of which is €20 thousand, includes likely liabilities for disputes of various natures with suppliers and third parties. The provision decreased by a total of €386 thousand following the settlement of several disputes with a favourable outcome for the Company. At 31 December 2017, estimated costs relating to on-going disputes for which Company lawyers have deemed the risk of a loss to be possible amounted to €2.3 million.

The item **Other risk provisions**, the short-term portion of which was €1,792 thousand, includes the liabilities that Enav could incur in disputes with suppliers with regard to contracts that have been terminated and the future use of assets classified under tangible assets under construction. The decrease in the year of €623 thousand refers to the concession to use frequencies in non-aeronautical bands, connected with execution of air navigation control services, granted for use free of charge by the Ministry of Economic Development (MISE) until 31 December 2015 and against payment from 1 January 2016. Specifically, when preparing the financial statements at 31 December 2016, pending the definition of the

framework applicable to the above-mentioned frequencies, a decision was taken to set aside a sum of €623 thousand. After the discussions between the Parent Company and the other competent bodies, this amount was reclassified under other current liabilities because the amount was recognised as due accepting a 40% reduction in conformity with Article 32, paragraph 9, letter f) of Annex 25 of the Communications Code (Legislative Decree 259/03).

18. Employee severance indemnity and other employee benefits

Employee severance indemnity and other employee benefits amounted to €37,703 thousand, and consisted of the provision for employee severance indemnity governed by Article 2120 of the Italian Civil Code, which includes the estimated obligation, determined in accordance with actuarial techniques, for amounts to be paid out to Enav employees upon termination of their employment.

The change in employee severance indemnity and other employee benefits are reported in the table below:

	31.12.2017	31.12.2016
Liabilities for employee benefits at the beginning of the year	38,562	38,289
Interest cost	553	527
Actuarial (Profits)/Losses on defined benefits	(55)	1,810
Advance payments, disbursements and other variations	(1,357)	(2,064)
Liabilities for employee benefits at the end of the year	37,703	38,562

The utilisation of €1,357 thousand of the provision for employee severance indemnity resulted from amounts paid out to personnel leaving the group during the year, advances disbursed to personnel who so requested and, to a small extent, the direct monthly payment of employee severance indemnity as a supplement to remuneration (“QU.I.R.”) in compliance with what is established in the 2015 Stability Law, for personnel who exercised this option.

The difference between the value of expected provision at the end of observation period and the expected present value of the benefits payable in the future recalculated at period end on the basis of the updated assumptions, constitutes actuarial gains (losses). This calculation generated actuarial gains of €55 thousand in 2017 compared with the actuarial loss in 2016.

The main assumptions used for the actuarial valuation process on the provision for employee severance indemnity at 31 December 2017 are summarised below and compared with the values used at 31 December 2016:

	31.12.2017	31.12.2016
Discount rate	1.30%	1.31%
Inflation Rate	1.50%	1.50%
Severance indemnity annual increase rate	2.625%	2.625%
Expected turnover rate	4.00%	4.00%
Expected rate of advance payments	2.50%	2.50%

The discounting rate used for calculating the present value of the obligation was calculated, consistent with paragraph 83 of IAS 19, from the IBoxx Corporate AA Index with a duration of 10+ recorded at the measurement date and commensurate with the average length of the collective subject to evaluation. The inflation rate curve was calculated on the basis of the current economic situation where the majority of economic indicators are particularly volatile. The annual rate of increase in employee severance indemnity is equal to 75% of inflation plus 1.5 percentage points in compliance with Article 2120 of the Italian Civil Code.

The technical and demographic assumptions used in the valuation are reported below.

	31.12.2017	31.12.2016
Death	IPS55	IPS55
Incapacity	INPS tables by age and sex	INPS tables by age and sex
Retirement	100% reaching the requirements of mandatory general insurance	100% reaching the requirements of mandatory general insurance

A sensitivity analysis is provided below on the impacts that changes in the main valuation parameters would have on the liability for employee benefits at 31 December 2017.

	Liabilities for defined benefit to employees	
	31.12.2017	31.12.2016
Turnover rate 1%	37,524	38,343
Turnover rate -1%	38,023	38,884
Inflation rate 0.25%	38,359	39,233
Inflation rate - 0.25%	37,171	37,975
Discount rate 0.25%	36,818	37,601
Discount rate -0.25%	38,738	39,635

The average financial duration of the obligation for defined benefit plans is 10.8 years.

A table is provided below of the disbursements expected in subsequent years drawn from the provision for employee severance indemnity.

	Payments expected
within 1 year	2,305
between 1 to 2 years	2,072
between 2 to 3 years	2,031
between 3 to 4 years	1,950
between 4 to 5 years	1,950

19. 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 included under current financial liabilities inclusive of interest expenses

recognised on an accrual basis; ii) the bond issued on 4 August 2015, with interest expenses accrued up to 31 December 2017 included under current liabilities.

The values at 31 December 2017 compared with those of the previous year and the relative changes are shown below:

	31.12.2017		31.12.2016		Variations	
	current portion	non-current portion	current portion	non-current portion	current portion	non-current portion
Bank Loans	29,044	170,670	31,208	119,623	(2,164)	51,047
Derivatives	0	0	0	104	0	(104)
Bond	1,418	180,000	1,414	180,000	4	0
Total	30,462	350,670	32,622	299,727	(2,160)	50,943

The table below shows the breakdown of net financial indebtedness at 31 December 2017 compared with the previous year, in accordance with the requirements of the Consob Communication of 28 July 2006 and in compliance with what is established in the recommendation ESMA/2013/319 of 20 March 2013.

	31.12.2017	of which related parts	31.12.2016	of which related parts
(A) Cash	257,550	0	213,744	0
(B) Other cash equivalents	0	0	0	0
(C) Trading Securities	0	0	0	0
(D) Liquidity (A)+(B)+(C)	257,550	0	213,744	0
(E) Current financial receivables	0	0	0	0
(F) Current financial debt	0	0	0	0
(G) Current portion of non-current indebtedness	(30,462)	(1,664)	(32,622)	(3,313)
(H) Other current financial debt	0	0	0	0
(I) Current financial indebtedness (F)+(G)+(H)	(30,462)	(1,664)	(32,622)	(3,313)
(J) Net current financial indebtedness/Liquidity (D)+(E)+(I)	227,088	(1,664)	181,122	(3,313)
(K) Non-current bank loans	(170,670)	0	(119,623)	(1,661)
(L) Bonds issued	(180,000)	0	(180,000)	0
(M) Other non-current loans	0	0	0	0
(N) Non-current financial indebtedness (K)+(L)+(M)	(350,670)	0	(299,623)	(1,661)
(O) CONSOB Net Financial Indebtness (J)+(N)	(123,582)	(1,664)	(118,501)	(4,974)
(P) Current and non-current derivative instruments	325	0	1,117	0
(Q) ENAV Net Financial Indebtness (O)+(P)	(123,257)	(1,664)	(117,384)	(4,974)

Bank loans at 31 December 2017 included a net positive change of €48,883 thousand following both the utilisation of the second instalment of the loan signed with the EIB in 2014 for a total contractual amount of €180 million, of which €100 million was drawn down in 2014 and €80 million was drawn down in December 2017, and repayments that were made during the period and the effects associated with the amortised cost. Specifically, repayments concerned the following loans:

- the repayment of two half-year instalments of the loan from Unicredit S.p.A. totalling €8,000 thousand due 30 November 2018;
- the repayment of two half-year instalments of the loan from Unicredit S.p.A. totalling €20,000 thousand due 30 June 2018;

- the repayment of two half-year instalments of the loan from Medio Credito Centrale for €3,333 thousand, due 31 May 2018.

The residual portions of the above-mentioned loans, to be repaid in 2018 in line with the amortisation plans, are presented under current liabilities totalling €19,619 thousand plus the half-year instalments of the loan from the EIB for €9,425 thousand.

At 31 December 2017, the Company had unused short-term credit lines totalling €199 million including committed lines of €70 million and uncommitted lines of €129 million, in addition to the share of the EIB loan of €70 million not yet used, resulting in available liquidity of €269 million.

The table below contains the analysis of the loans with the general conditions for each individual Enav credit relationship with regard to the lenders. With regard to advances from the financial institutions Unicredit and Intesa San Paolo, note that the conditions applied are agreed from time to time and reflect the market situation.

Lender	Type	Amount granted	Amount used (nominal value)	Amount available	Book value	Rate
BNL - BNP Paribas	Acc. credit - overdraft	24,000	0	9,000	0	Euribor +1.90
BNL - BNP Paribas	Committed credit line	70,000	0	70,000	0	Euribor +0.30
Medio Credito Centrale	Medium and long term to 5 years	10,000	10,000	0	1,664	Euribor +1.90
Unicredit	Export advance payments	15,000	0	15,000	0	Euribor +1.80
Unicredit	Import advance payments	10,000	0	10,000	0	Euribor +1.80
Unicredit	Financial advance payments	46,000	0	40,000	0	Euribor +1.80
Intesa San Paolo	Financial advance payments	55,000	0	55,000	0	Euribor +0.25
Unicredit	Medium and long term to 5 years	40,000	40,000	0	7,978	Euribor +0.34
Unicredit	Medium and long term to 5 years	100,000	100,000	0	9,977	Euribor +0.34
EIB - European Investment Bank	Medium and long term to 15 years	250,000	180,000	70,000	180,095	Fixed rate +1.515/+1.010
Total		620,000	330,000	269,000	199,714	

The average interest rate on bank loans in the reference period was 1.56% basically in line with the rate for the previous year (1.58%).

On 4 August 2015, Enav issued a bond for a nominal value of €180 million, which is listed on the Luxembourg Stock Exchange's regulated market and has a duration of seven years and full repayment at maturity (4 August 2022). The bond issue involves the payment of a postponed annual coupon to a fixed extent of 1.93% of the nominal value. The portion of interest for the year stood at €3,474 thousand of which the portion not delivered equal to €1,418 thousand was classified in current liabilities.

In relation to the disclosure required pursuant to IFRS 7, it should be noted that the fair value of the bond issue, understood as the price that would be paid for the transfer of liabilities as part of an ordinary transaction conducted between market operators, was estimated at €191.17 million at the valuation date.

The Company estimated the fair value on the basis of the prices and returns observed on the market for debt instruments with maturities and risk profiles similar to those in question, using the market data obtained from a leading information provider for the establishment of the z-spread using in the establishment of the discounting curve.

The item non-current financial liabilities was zeroed at 31 December 2017 because the fair value of the derivative financial instrument was positive at 31 December 2017. The derivative was reported under the scope of current financial assets maturing in 2018.

In conformity with the changes that took place from 1 January 2017 to IAS 7, the table below highlights the non-monetary changes that took place in the year with reference to the amortised cost and the changes in the fair value of the derivative financial instrument.

	01.01.2017	Variation deriving from cash-flow from financing activities		Fair value variations	Other variations	31.12.2017
		<i>New disbursement</i>	<i>Repayments</i>			
Financial liabilities						
Bank loans	150,831	80,000	(31,333)	0	216	199,714
Bond	181,414	0	0	0	4	181,418
Derivatives	104	0	0	(104)	0	0
Total	332,349	80,000	(31,333)	(104)	220	381,132

20. Current and non-current trade payables

Current trade payables at 31 December 2017 stood at €124,984 thousand, a net decrease of €721 thousand compared with the previous year following the changes that took place in the items in the table below:

	31.12.2017	31.12.2016	Variation
Current trade payables			
Payables to suppliers	94,778	108,523	(13,745)
Payables for advance payments received for projects financed in Europe	13,715	10,558	3,157
Balance payable	16,491	6,624	9,867
Total	124,984	125,705	(721)
Non-current trade payables			
Balance payable	23,648	16,769	6,879
Total	23,648	16,769	6,879

Payables to suppliers for goods and services necessary for the activities of the Company were down by €13.7 million due to both the greater payments made during the year compared with 31 December 2016 with regard to investment projects and to the application of the split payment mechanism, with effect from 1 July 2017, which resulted in a payable to suppliers represented by the taxable amount only without tax.

The item **payables for advance payment received for projects financed in Europe**, which stood at €13,715 thousand, recorded a net increase of €3,157 thousand compared with 31 December 2016, and includes: i) the pre-financing contributions received for the *Connecting Europe Facility* (CEF) project, financed 50% with reference to 2015 and the interim payment for the 2014 CEF project collected after the reporting in 2016 for the 2014 and 2015 period, for a total of €10 million; ii) the collection of the final contributions for various funded projects including Free Solution and Blue GNSS; iii) pre-financing contributions received

under the SESAR 2020 project launched at the end of 2016 and broken down into various projects for €3.8 million and passed on to the participants of the project as far as their responsibility is concerned.

The balance payables for the Eurocontrol come to a total of €40,139 thousand, including the part classified in current payables equal to €16,491 thousand and corresponding to the amount that will be allocated to the income statement in 2018 in conformity with what has taken place in the area of charging. The amount classified in non-current trade payables refers, gross of the discounting effect, to the balances recorded in 2017 relating to: i) the en-route inflation balance for €13,491 thousand (€13,140 thousand in 2016) calculated through the planned costs for 2017 with the knock-on effect from the beginning of the performance plan which took effect in 2015 in conformity with the charging mechanism, the inflation percentage expected in the performance plan compared with the actual figure, which in both cases was equal to 1.30%; ii) the terminal inflation balance for both the first and second charging zones, calculated using the same methodology as for the en-route, equal in total to €2,251 thousand (€2,239 thousand in 2016); iii) the traffic balance for the terminal second charging zone for €2,530 thousand following the greater service units actually recorded compared with the planned data of 3.9%; iv) the balance for the third charging zone calculated using a cost recovery logic which stood at €5,167 thousand following the difference between actual costs and revenues compared with the planned figures.

Overall, there was a net increase for this item of €16,746 thousand, compared with 31 December 2016, which mainly referred to the increased balance payables in 2017, including the third charging zone terminal balance which in 2016 was positive following the use of a lower charge than the natural one applied at the request of the Ministry of Economy and Finance and the Ministry of Infrastructure and Transport.

21. Other current and non-current liabilities

Other liabilities include the items laid out in the table below, broken down into current and non-current:

	31.12.2017		31.12.2016		Variations	
	current portion	non-current portion	current portion	non-current portion	current portion	non-current portion
Deposit payment	72,195	0	80,532	0	(8,337)	0
Other payables	45,495	0	81,087	0	(35,592)	0
Accruals and deferrals	8,123	106,253	8,799	111,884	(676)	(5,631)
Total	125,813	106,253	170,418	111,884	(44,605)	(5,631)

Deposit payment totalled €72,195 thousand, including €68,701 thousand referring to the payable to the Italian Air Force (AMI) for the portion of collections received in 2017 for en-route and terminal services and €3,494 thousand for the payable to ENAC for collections concerning the same services. The net decrease recorded in the year of €8,337 thousand was attributable to the following events: i) the offsetting of the AMI en-route payments on account recorded at 31 December 2016 for €66,057 thousand with the receivable due with regard to the Ministry of Economy and Finance (MEF) equal to €13,299 thousand and the recording of the payable to the MEF of €52,758 thousand in the item other payables paid later; ii) the

payment to the Air Force of collections with reference to terminal services of €15,029 thousand; iii) the payment of the 2016 share pertaining to ENAC of €4,742 thousand; iv) the amounts accrued at 31 December 2017 pertaining to AMI and ENAC totalling €77,491 thousand.

Other payables which stood at €45,495 thousand recorded a net decrease of €35,592 thousand and referred mainly to the payment of the payable due to the MEF totalling €64,959 thousand which took place at the end of 2017, with the payable recorded at 31 December 2016 as €38,201 thousand increased during the year by €52,758 thousand, following the portion pertaining to 2016 as commented on previously, and reduced by €26 million in conformity with the provisions of Article 51 of Legislative Decree No. 50/2017 converted through Law No. 96 of 21 June 2017 which, in order to keep down the charging increases planned in the 2016 - 2019 programme contract for the third charging zone, allocated €26 million through the cancellation of part of the payable to the MEF recorded in previous years. The item in question also mainly includes payables to personnel for the allocations equal to a total of €32,885 thousand (€30,512 thousand at 31 December 2016) and involves both the payable for leave accrued but not taken equal to €13,369 thousand and the allocation of personnel costs totalling €19,516 thousand; the payable to the supplementary pension fund of €8,866 thousand, in line with the previous year, which was paid in the first months of 2018 to company pension funds such as Prevaer and Previndai and the other funds chosen by employees.

Accruals and deferrals mainly includes deferred income involving specifically: i) NOP contributions for networks and mobility relating to the periods 2000/2006 and 2007/2013 regarding specific investments made in southern airports, for a residual amount equal to €40,542 thousand (€48,065 thousand at 31 December 2016) which recorded a decrease in the year of €7,523 thousand which refers for €7,147 thousand to the reversal to the income statement of the portion for the year connected to the amortisation and depreciation of the investments to which the contributions refer and for €376 thousand to the share of the PAC contribution not accounted for by 31 March 2017. The short-term portion stood at €5,399 thousand and involved the amount which will be repaid to the income statement over the next 12 months; ii) capital grants account under the investments for military airports, pursuant to the provisions of Law 102/09, equal to €63,583 thousand (€65,263 thousand at 31 December 2016) which recorded a decrease of €1,680 thousand through the reversal to the income statement of the portion pertaining to the year for the modernisation of the technological systems at the airport of Verona Villafranca and for the operations carried out at the airports of Verona, Comiso, Roma Ciampino, Treviso, Brindisi and Rimini. The current portion totals €1,782 thousand; iii) other capital grants of €5,094 thousand (€5,399 thousand at 31 December 2016) which refers mainly to European loans obtained under the scope of TEN-T; iv) the contributions related to the investment projects funded through the 2014 CEF project for an amount of €5,105 thousand (€1,945 thousand at 31 December 2016) which recorded a net positive change of €3,160 thousand for the balance of the interim payment collected in 2017 equal to €3,822 thousand minus the

share of the contribution pertaining to the year equal to €662 thousand. The current portion stands at €662 thousand.

22. Tax and social security payables

Tax and social security payments totalled €31,463 thousand and break down as follows:

	31.12.2017	31.12.2016	Variation
Tax payables	11,107	13,615	(2,508)
Social security payables	20,356	22,518	(2,162)
Total	31,463	36,133	(4,670)

Tax payables fell by €2,508 thousand and refer to the IRES payable of €4,627 thousand and withholdings involving employees paid in January 2018 of €6,231 thousand.

The **Social security payables** item includes both social security expenses accrued relating to employees for December and paid in the following month and the share of contributions on personnel costs measured at €11,495 thousand in total (€12,642 thousand at 31 December 2016).

Notes to the income statement

23. Revenues from operations and for balances

Revenues from operations and balance revenues, also relating to operations, amounted to €859,203 thousand and -€17,223 thousand respectively, the former rose by €57,438 thousand and the balance fell by €33,651 thousand. The table below contains details of the individual items that make up revenues from operations:

	2017	2016	Variations	%
En route revenues	615,331	583,297	32,034	5.5%
Terminal revenues	219,554	195,275	24,279	12.4%
En route and terminal exemptions	13,930	13,201	729	5.5%
Revenues from non-regulated market	10,388	9,992	396	4.0%
Total revenues from operations	859,203	801,765	57,438	7.2%

En-route revenues came to €615,331 thousand, up by 5.5% compared with the previous year, corresponding to €32,034 thousand for the increase in service units during the year up 4% compared with the 2016 actual figure (+1.7% 2016 compared with 2015) with reference to all types of air traffic (domestic, international and overflight) with the charge applied basically unchanged compared with 2016 which stood at €80.00 (€80.08 in 2016).

Terminal revenues amounted to €219,554 thousand and recorded an increase of 12.4% compared with the previous year, corresponding to €24,279 thousand both following the charges applied, and following the differing trend of service units at individual airports classified by different charging zones, which overall stood at +3.1% compared with the 2016 figure (+3.6% for 2016 compared with 2015) with a negative performance for the first charging zone and a positive performance for the other two zones.

Specifically, the first charging zone, which refers to Roma Fiumicino Airport (zone 1), recorded lower traffic managed, expressed in service units, of -3.5% (+1.7% for 2016 compared with 2015) because it suffered greatly from the difficulties which Alitalia finds itself in. Added to this effect is the 6.07% rate reduction in 2017 which resulted in a charge of €188.57 compared with €200.68 in 2016. The second charging zone, which refers to the airports Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio, recorded an increase in air traffic managed which, in terms of service units, was equal to +4.4% compared with 2016 (+5.1% for 2016 compared with 2015), a performance which partly offset the lower revenue from the 10.02% rate reduction in 2017, with a rate of €209.95 compared with €233.33 in 2016. The third charging zone, which includes 40 medium and low traffic airports, recorded an increase, compared with 2016, in managed air traffic, expressed in service units, of +6.1% (+3.7% for 2016 compared with 2015) and benefits from both revenue from the airports of Comiso and Rimini, which came under the management of the Parent Company with effect, respectively from September and November 2016, and the 24.08% rate increase applied in 2017 through a rate of €323.79 compared with €260.96 in 2016 when there was a contribution from the Ministry of Economy and Finance (MEF) of €26 million.

Revenues related to **en-route and terminal exemptions** stood, respectively, at €11,200 thousand (€10,856 thousand in 2016) and €2,730 thousand (€2,345 thousand in 2016) recording an increase, respectively, in terms of service units, of +2% (-4% for 2016 compared with 2015) and a decrease of -0.6% (-13.1% for 2016 compared with 2015) compared with the previous year and refer to exempt flights, mainly military ones.

Revenues from non-regulated market stood at €10,388 thousand, a 4% increase over the previous year on account of the increased activities in third-country markets which made it possible to offset the lower revenues for Air Traffic Services through direct contracts which totalled €2.7 million in 2016, including those relating to Comiso Airport, charged from September 2016 and for tower services at the airport of Crotone following the end of a temporary exercising at the end of October 2016 and as a result of the closure of the airport. Specifically, note the following activities: i) the restructuring of the airspace in the United Arab Emirates which generated revenues of €3.4 million; ii) the flight inspection activities in Saudi Arabia with revenues of 1.8 million; iii) the study of instrumental flight procedures and the restructuring of the airspace in Morocco with revenues of €0.7 million; iv) the training of 60 Libyan air traffic controllers, with revenues of €0.8 million.

With reference to **Balances**, also part of Enav operations, the breakdown of this item is given below with a negative balance of €17,223 thousand:

	2017	2016	Variations
Balance charge adjustments for the year	6,967	32,138	(25,171)
Discounting effect	(107)	(777)	670
Balance changes	(2)	(185)	183
Balance utilisation	(24,081)	(14,748)	(9,333)
Total Balance	(17,223)	16,428	(33,651)

The **Balance charge adjustment for the year** represents the increase in the charge deriving from actual traffic volumes and/or costs compared with the values planned upon determination of the charge before their adjustment to *fair value* resulting from the effect of discounting and refer for €15,551 thousand to en-route (€14,596 thousand for 2016) and for -€8,584 thousand to terminal (€17,542 thousand for 2016).

The en-route balances recorded in the year mainly refer to: i) the balance for traffic risk and the portion not recovered for balances recorded in previous years and included in 2017 charges totalling €21,829 thousand (€20,880 thousand in 2016) reported following lower en-route service units actually generated compared with the projections in the performance plan (-6.2%); ii) a weather balance of €949 thousand (€913 thousand in 2016); iii) the balance for the bonus for reaching the target in the plan related to the en-route capacity of €6,265 thousand (€5,941 thousand in 2016); iv) the inflation balance negative by €13,491 thousand (€13,140 thousand in 2016) as the effect resulting for the charging calculation mechanism which includes a knock-on effect by calculating the value from the first year of the performance plan (2015) in the presence of recorded inflation of 1.30% in line with the projections in the plan for that year.

Overall, the figures for the terminal balances, by charging zone, are: i) a positive balance for the first charging zone totalling €296 thousand (-€771 thousand in 2016), as the net effect between a traffic risk balance of €978 thousand following lower service units actually generated compared with the planned data (-5.4%), a negative balance as the result of inflation of €917 thousand (€913 thousand in 2016) and the balance for the bonus based on the terminal kpi capacity of €82 thousand (€169 thousand in 2016); ii) a negative balance for the second charging zone totalling €3,712 thousand (€2,513 thousand in 2016) regarding a traffic balance returned to carriers as a result of the increased managed traffic actually generated compared with the forecasts in the performance plan (+3.9%), a negative inflation balance of €1,334 thousand (€1,326 thousand in 2016) and the capacity bonus of €131 thousand (€262 thousand); iii) a reimbursed balance for the third charging zone, calculated using a cost recovery logic, negative by €5,167 thousand (+€20,825 thousand in 2016) on account of the difference between actual costs and revenues compared with the projected figures in charges.

The overall change for balance charge adjustments for the year is mainly due to the balance for the third charging zone which created a positive effect in 2016 when a lower charge than the natural one was applied while awaiting the contribution from the MEF which was received in 2017.

The discounting effect, equal to €107 thousand, is derived from the separation of the financial component inherent in the balance mechanism, carried out by discounting the balances generated during the year in accordance with a pre-defined recovery plan.

The balance changes, negative by €2 thousand, include the difference between Eurocontrol costs stated during performance and the actual figures for 2016. These costs, as declared by the European Commission, are considered as exempt from the cost sharing mechanism pursuant to EU regulation 391/2013 and are repaid or demanded by the carriers.

The balance utilisation of €24,081 thousand refers to the transfer to charges and therefore to the income statement of the portion of en-route and terminal balances recognised in previous years in compliance with what was done upon determination of the charge for 2017.

24. Other operating income

Other operating income stood at €46,112 thousand, a decrease of €5,774 thousand compared with 2016, mainly through lower amounts with regard to European funding, which in the previous year included the reporting of operating grants under the 2014 CEF project where the share stood at €5.5 million.

Other operating income breaks down as follows:

	2017	2016	Variations
Capital grants	9,731	9,747	(16)
Operating grants	30,224	30,673	(449)
European funding	2,138	8,592	(6,454)
Other revenues and income	4,019	2,874	1,145
Total	46,112	51,886	(5,774)

Capital grants regard the recognition in the income statement of part of deferred income in proportion with the depreciation charged on the assets to which the grant refers, as discussed in Note 21.

Operating grants refer for €30 million to the amount recognised to Enav pursuant to Article 11 septies of Italian Law 248/05, in order to offset costs incurred to guarantee system safety and operational security. The remaining part equal to €224 thousand refers to the training funded by Fondimpresa.

European funding, refer to operating grants and involve the recording in the income statement of the portion relating to European funded projects subject to reporting or closed, including, in 2017, the 2020 SESAR project which began for operational purposes in 2017 and other European projects concluded and/or reported such as Blue GNSS, Artek, Beyond.

Other revenues and income mainly includes insurance reimbursements for claims made by third parties, the penalties applied to suppliers for delays in the delivery of goods and/or the provision of services compared with the contractually agreed deadlines, the recovery of costs for personnel seconded both under the scope of the Enav Group and with regard to third-parties and the amounts referring to service agreements concluded in 2017 involving services provided centrally by Enav to the subsidiary Techno Sky.

The details of the revenues for the years ended 31 December 2017 and 2016 broken down by geographical area are given below:

Revenues	31.12.2017	% on revenues	31.12.2016	% on revenues
Italy	879,739	99.1%	864,197	99.3%
EU	782	0.1%	730	0.1%
Non-EU	7,570	0.8%	5,151	0.6%
Total revenues	888,091		870,078	

25. Costs for goods, for services, use of third-party assets and other operating expenses

The costs for goods, services, use of third-party assets and other operating expenses stood in total at €194,354 thousand, down €10,812 thousand compared with the previous year, with no costs related to the privatisation process which, in 2016, weighed in at €7.5 million, highlighting a widespread reduction in various cost items which offset the greater costs incurred as a listed company.

The details of the above-mentioned costs are reported in the table below:

	2017	2016	Variations	%
Costs for the purchase of goods	3,223	4,802	(1,579)	-32.9%
Costs for services:				
Maintenance costs	79,731	78,062	1,669	2.1%
Costs for Eurocontrol contributions	37,683	41,368	(3,685)	-8.9%
Costs for utilities and telecommunications	37,248	35,670	1,578	4.4%
Costs for insurance	2,256	4,661	(2,405)	-51.6%
Cleaning and security	4,569	5,141	(572)	-11.1%
Other personnel-related costs	7,229	7,402	(173)	-2.3%
Professional services	7,593	9,944	(2,351)	-23.6%
Other costs for services	7,447	11,500	(4,053)	-35.2%
Total costs for services	183,756	193,748	(9,992)	-5.2%
Costs for the use of third-party assets	2,767	3,213	(446)	-13.9%
Other operating expenses	4,608	3,403	1,205	35.4%
Total	194,354	205,166	(10,812)	-5.3%

Costs for the purchase of goods include costs incurred for the acquisition of spare parts for air traffic control systems and equipment and the relative change in inventories. The decrease in the year is attributable to both the fewer acquisitions during the year and the reduction in the use of spare parts which generated, including the allowance losses of obsolete parts, a negative change in inventories of €457 thousand (€1,533 thousand in 2016).

Costs for services recorded a net decrease of €9,992 thousand with different trends for different expense types. Specifically, note: i) an increase in maintenance costs of €1,669 thousand mainly attributable to the maintenance activities related to the military airports which came under Enav's management in the second half of 2016; ii) lower Eurocontrol contribution costs of €3,685 thousand in conformity with the data approved and communicated by the latter and due for activities carried out for en-route services and where the Company does not have any power to intervene. This amount, however, is recovered under charging through the balance mechanism; iii) an increase in costs for utilities and telecommunications of €1,578 thousand which refers to both higher energy tariffs in 2017 and from the increased scope of airport sites compared with the previous year and refers to military airports opened to civil traffic whose management moved over to Enav; iv) lower insurance costs of €2,405 thousand which benefited from the savings associated with the new contracts entered into which took effect from 1 July 2016; v) the decrease of €572 thousand in cleaning and security on account of new cleaning contracts agreed with effect from March 2017 at lower prices; vi) lower costs for professional services of €2,351 thousand which in 2016 included some of the costs associated with the privatisation; vii) the reduction of €4,053 thousand in other costs for services which in 2016 contained the advertising costs for the privatisation.

Costs for third-party assets fell by €446 thousand mainly as a result of the conclusion of a rental agreement by Enav following the end of work at the new offices at the Roma Ciampino Area Control Center.

Other operating expenses recorded a net increase of €1,205 thousand both through the recording of costs not present in 2016 with reference to the use of radio-frequencies in non-aeronautical bands and the capital loss generated by the decommissioning of technological equipment than can no longer be used.

26. Personnel costs

Personnel costs amounted to €415,966 thousand, a net increase compared with the previous year of €1,786 thousand as illustrated in the table below:

	2017	2016	Variations	%
Wages and salaries, of which:				
Fixed remuneration	242,449	242,933	(484)	-0.2%
Variable remuneration	52,754	48,576	4,178	8.6%
Total wages and salaries	<u>295,203</u>	<u>291,509</u>	<u>3,694</u>	<u>1.3%</u>
Social security contributions	95,725	96,223	(498)	-0.5%
Employee severance indemnity	18,775	18,858	(83)	-0.4%
Other costs	6,263	7,590	(1,327)	-17.5%
Total personnel costs	415,966	414,180	1,786	0.4%

Wages and salaries recorded an overall net increase of 1.3% standing at €295,203 thousand with different trends for the different components: i) a decrease in fixed remuneration of 0.2% following various effects including lower costs generated by the reduction in the Group headcount, compared with the previous year, corresponding to 31 average and effective units, with a headcount at the end of 2017 of 3,364 units (3,395 units in 2016) which more than offset the increase in costs related to the possible effects resulting from the renewal of the contract which expired at the end of 2016 and the natural increase in remuneration (also including seniority-linked increases); ii) the 8.6% increase in variable remuneration mainly on account of overtime on the operating line linked to increased CTA (Air Traffic Controller) personnel training for the implementation of the free route platform, a project that involved operating personnel from the end of 2016; the variable result premium which in 2017 also included the share pertaining to the 2017-2019 Performance Share plan approved by the Shareholders' Meeting of 28 April 2017 which was implemented following the approval of the Regulation by the Board of Directors on 11 December 2017; the reduction of training missions for training CTAs at low traffic airports which affected the previous year.

Social security costs fell by 0.5% compared with 2016 as the ceiling for annual welfare contributions for employees hired after 1996 was reached above which the rate is reduced from 36% to 2.27%.

Other costs for personnel decreased by 17.5% mainly as a result of less recourse to the incentives paid to employees and executives who left in 2017 totalling €1.7 million (€2.6 million in 2016).

The tables below contain the company's workforce broken down by category and professional profile:

	2017	2016	Variation
Executives	46	48	(2)
Middle managers	365	376	(11)
Office staff	2,953	2,971	(18)
Final amount	3,364	3,395	(31)
Average amount	3,413	3,444	(31)

	2017	2016	Variation
Management and Coordination	411	424	(13)
Air traffic controllers	1,731	1,693	38
Flight assistance experts	413	461	(48)
Weather service operators	30	30	0
Flight inspection operators	23	23	0
Administrative	469	478	(9)
Technicians	191	189	2
Computer Technicians	96	97	(1)
Final amount	3,364	3,395	(31)

27. Capitalisation of internal work

The capitalisation of internal work stood at €7,589 thousand (€7,507 thousand in 2016) and refer entirely to the capitalisation of personnel costs for activities carried out on investment projects in progress.

28. Financial income and expenses

Financial income amounted to €3,997 thousand and includes the items in the table below:

	2017	2016	Variations
Income from investments in other companies	417	250	167
Financial income from balance discounting	2,531	2,089	442
Interest income on group financial receivables	72	0	72
Interest income on VAT credit refunds	19	418	(399)
Other interest income	958	1,645	(687)
Total financial income	3,997	4,402	(405)

There was a decrease of €405 thousand in **financial income** attributable mainly to less interest income associated with the VAT receivable to be repaid, collected in full, and to lower default interest income accrued during the year, negative changes partly offset by the greater financial income from balance discounting which also includes, in addition to the portion pertaining to the year, the allocation to the income statement of balance receivables with reference to the third charging zone following the termination of the receivable in compliance with Legislative Decree No. 50/2017 through which the Company received €26 million for keeping down the charging increases set out in the 2016-2019 programme contract.

Financial expenses stood at €6,277 thousand, up €190 thousand compared with the previous year both on account of interest costs on employee benefits recorded in the year and financial expenses related to the derivative financial instrument.

	2017	2016	Variations
Interest due on bank loans	2,088	2,033	55
Interest due on bonds	3,474	3,474	0
Interest due on employee benefits	553	527	26
Interest costs on derivatives at fair value	138	50	88
Other interest due	24	3	21
Total financial expenses	6,277	6,087	190

29. Income taxes

Income taxes amounted to €39,260 thousand and are broken down as shown in the table below:

	2017	2016	Variations
IRES (Corporate tax)	33,193	28,671	4,522
IRAP (Regional tax)	6,854	5,498	1,356
Taxes from previous fiscal years	6	571	(565)
Total current taxes	40,053	34,740	5,313
Deferred tax assets	(562)	1,164	(1,726)
Deferred tax liabilities	(231)	(86)	(145)
Total current and deferred tax assets and liabilities	39,260	35,818	3,442

For additional details on deferred tax assets and liabilities, please refer to note 8.

The IRES tax rate for 2017 was 24.8% compared with 26.7% in 2016, lower mainly as a result of the lower notional tax rate of 24% in force in 2017 compared with the previous year where it stood at 27.5%.

The IRAP tax rate for 2017 was 5.1%, the same as 2016.

	2017		2016	
	IRES (Corporate tax)	Proportion (%)	IRES (Corporate tax)	Proportion (%)
Income before taxes	133,765		107,222	
Theoretical tax	32,104	24%	29,486	27.5%
<i>Effect of increases/(decreases) compared to the standard tax</i>				
Non-deductible contingency liabilities	126	0.1%	217	0.2%
IRES deduction of IRAP paid on personnel costs	(138)	-0.1%	(117)	-0.1%
Other	(119)	-0.1%	315	0.3%
Temporary differences for risk, receivables and inventories depreciation, and other items	1,221	0.9%	(1,231)	-1.1%
Actual IRES	33,193	24.8%	28,671	26.7%

	2017		2016	
	IRAP (Regional tax)	Proportion (%)	IRAP (Regional tax)	Proportion (%)
Income before taxes	133,765		107,222	
Theoretical tax	6,394	4.78%	5,125	4.78%
<i>Effect of increases/(decreases) compared to the standard tax</i>				
Other	(124)	-0.1%	(24)	0.0%
Temporary differences for risk, receivables and inventories depreciation, and other items	454	7.1%	317	0.3%
Financial income and expenses	130	0.1%	79	0.1%
Actual IRAP	6,854	5.1%	5,498	5.1%

Other information

30. Related parties

Enav related parties were identified according to the provisions of IAS 24 Related-party disclosures involving transactions that took place in the interest of the Company, that are part of ordinary operations and are regulated, unless stated otherwise, at market conditions. On 13 November 2017, the Board of Directors of Enav, following the favourable opinion of the Control and Risks and Related Parties Committee, approved the "Procedure for governing related-party transactions" created by the Company directly and/or via 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" including Consob resolution 17221 of 12 March 2010 and subsequent amendments and supplements

The procedure, available on the website www.enav.it, establishes the criteria for identifying related parties, for the distinction between transactions of greater and lesser importance, for the procedural framework applicable to the above transactions, as well as any mandatory notifications to the competent bodies.

The tables below contain the economic and financial balances resulting from Enav's relations with related entities, including those relating to directors, statutory auditors and executives with strategic responsibilities respectively for 2017 and 2016.

Name	Balance at 31.12.2017									
	Trade receivables and other non-current assets	Financial receivables	Cash and cash equivalent	Financial liabilities	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other oper costs	Costs for the use of third-party assets	Financial expenses	Financial income
Subsidiaries										
Techno Sky Srl	17,929	0	0	0	43,951	1,031	65,402	0	0	0
SICTA Consortium in liquidation	380	0	0	0	1,201	115	1,893	0	0	0
ENAV Asia Pacific Sdn Bhd	84	0	0	0	0	328	0	0	0	0
ENAV North Atlantic	0	2,986	0	0	0	0	0	0	0	72
External related parties										
Ministry of Economy and Finance	13,932	0	558	0	59,882	13,929	0	0	0	0
Ministry of Infrastructure and Transport	33,397	0	0	0	0	37,390	0	0	0	0
Enel Group	0	0	0	0	122	0	1,286	0	0	0
Invitalia Group	0	0	0	1,664	0	0	0	0	71	0
Leonardo Group	127	0	0	0	19,868	86	1,325	0	0	0
Poste Italiane Group	0	0	0	0	3	0	60	66	0	0
Other external related parties	0	0	0	0	39	101	85	23	0	0

Balance at 31.12.2016

Name	Trade receivables and other non-current assets	Cash and cash equivalent	Financial liabilities	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for the use of third-party assets	Financial Expenses
Subsidiaries								
Techno Sky Srl	21,489	0	0	39,684	615	63,972	0	0
SICTA Consortium in liquidation	175	0	0	1,638	117	2,845	0	0
ENAV Asia Pacific Sdn Bhd	81	0	0	33	325	136	13	0
External related parties								
Ministry of Economy and Finance	13,299	328	0	104,258	13,201	0	0	0
Ministry of Infrastructures and Transport	33,995	0	0	0	38,822	0	0	0
Enel Group	0	0	0	171	0	137		0
Leonardo Group	254	0	0	30,605	73	1,183	0	0
Poste Italiane Group	0	0	4,974	7	0	77	65	140
Other external related parties	0	0	0	4	81	54	22	0

The nature of the main relations with internal related entities described above are represented by Companies controlled by Enav, and external related entities, which means the Ministry of Economy and Finance (MEF) and the Ministry of Infrastructures and Transport (MIT) as well as entities subject to the control of the MEF is represented below in detail and also described in the comments on the individual items of the financial statements in the notes to the financial statements:

- relations with the subsidiary Techno Sky essentially involve the provision by the latter of services associated with the maintenance of flight assistance equipment, the maintenance of AVL equipment, as well as maintenance activities for civil infrastructure not related to operations. A three-year intragroup service agreement was defined during the year, aimed at governing the recharging of services supplied centrally by the Parent company (Internal Audit, Quality Management Systems and HSE, IT Systems Management and Commercial Development);
- relations with the Sicta Consortium in liquidation mainly involve the activities carried out for Enav at the end of the third quarter of 2017;
- relations with the subsidiary Enav Asia Pacific mainly involve the recharging of costs for seconded personnel;
- relations with Enav North Atlantic refer to the loan agreement provided in 2017 to enable the subsidiary to meet the deadlines for the investment in Aireon LLC. This loan of USD 3.5 million is due on 31 December 2021 and the interest rate is 2%. There is the right of partial or full early repayment;
- relations with the MEF mainly relate to receivable and revenue relationships relating to the refund of charges for services provided by Enav for exempt flights and charged to the MEF in accordance with European and Italian law, and payables for the amounts collected by Enav and relating to the portion attributable to the Italian Air Force for en-route charges. Following approval of the Enav financial statements, this payable is used to offset the receivable position. Cash and cash equivalents relate to a current account opened by Enav with the Bank of Italy;

- relations with the MIT relate to receivable and revenue relationships resulting from both an operating grant intended to cover the costs incurred by Enav to ensure systems and operational safety pursuant to Article 11 septies of Law 248/05, and capital grants as part of the Networks and Mobility NOP recognised following the resolutions of the Management Authority of the Networks and Mobility NOP and charged to the income statement in an amount commensurate with the amortisation of the investments to which the contributions refer;
- relations with the Leonardo Group mainly relate to activities linked to Enav investments, the maintenance and acquisition of spare parts for systems and equipment for air traffic control;
- relations with the Invitalia Group mainly relate to the loan agreement stipulated between Enav and Banca del Mezzogiorno – Medio Credito Centrale S.p.A. for €10 million. This contract expires on 31 May 2018, and sets an interest rate equal to Euribor plus a spread of 1.9%. At 31 December 2016 the financial institution was classified in Gruppo Poste Italiane because the completion of the sale to Invitalia – Agenzia Nazionale per l’attrazione degli investimenti e lo sviluppo d’impresa S.p.A., took place in the second half of 2017.
- relations with Gruppo Poste relate to the rental of equipment for hospitality purposes and shipping costs;
- relations with other related parties contain residual positions.

Executives with strategic responsibilities refers to the Enav CEO and three executives holding senior positions in the Company, appointed by the Board of Directors, at the suggestion of the CEO, at the meeting in September 2017, namely the General Manager, Chief Financial Officer and the Head of Human Resources. Note that at 31 December 2016 the financial statements only reported the compensation of the CEO, awaiting the identification of the other executives with strategic responsibilities.

The remuneration of Enav executives with strategic responsibilities, gross of pension and social security costs and contributions, is illustrated below:

	2017	2016
Short-medium term employee benefits	1,406	865
Post-employment benefits	0	0
Share-based payment	214	0
Totale	1,620	865

The compensation of the Enav Board of Statutory Auditors is listed below:

	2017	2016	Variation
Statutory Auditors	81	66	15
Total	81	66	15

For more details, please refer to the Remuneration Report prepared pursuant to Article 123 ter of the TUF. Under the CCNL, Enav belongs to the Prevaer Pension Fund which is the national supplementary pension fund for non-executive personnel working in the Air Transport and similar sectors. As in Article 14 of the

Prevaer Fund By-Laws: the Delegated Shareholders' Meeting; the Board of Directors; the Chairman and the Vice Chairman; the Board of Statutory Auditors, shareholder representation is based on equal participation by the workers' representative and the representative of the participating businesses. The Board of Directors of the Fund resolves, among other things on: the general criteria for risk sharing as regards investments and equity shareholdings as well as on investment policies; the selection of asset managers and the identification of the custodian bank.

31. Derivatives

To neutralise the risks deriving from fluctuating exchange rates for the acquisition in USD of shares in the company Aireon, on 20 December 2013 Enav entered into four derivative contracts associated with the four tranches planned for the acquisition of the equity investment, for a total share of 12.5%. At 31 December 2017 all the foreign currency purchase operations necessary to discharge the contractual obligations associated with the investment in Aireon were completed. The derivative contract ceased to have accounting effects following the transaction for the acquisition of the fourth and final instalment.

In 2016 the Company signed another derivative contract with the aim of hedging the exposure of an unfavourable variation in the Euro/AED exchange rates relating to future collections in foreign currency concerning a two-year contract defined with the Abu Dhabi General Civil Aviation Authority (GCAA). It specifically involves an OTC derivative financial instrument through which the Company forward sells a given amount of foreign currency against the Euro at a pre-set exchange rate, starting from a certain date and until the expiry date.

The fair value of the derivative relating to the contract signed in 2016 is positive by €325 thousand. In accordance with IFRS 13, the recalculated mark to market was adjusted to also take into account the effect of non-performance risk (CVA), i.e., the risk that one of the parties will not meet its contractual commitments due to a possible default and, from the accounting perspective, the positive or negative fair value was recognised in current/non-current financial assets/liabilities based on the contractual maturity and with a matching entry in a shareholders' 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). In detail, from the financial perspective, the Credit Value Adjustment (CVA) is the expected value of the loss deriving from the default of the counterparty, if the derivative has a positive fair value. On the other hand, the Debt Value Adjustment (DVA) represents the value of the expected loss on default of the Company if the fair value is negative.

The contractual characteristics and the relative fair value at the date of 31 December 2017, as set forth in Bank communications, are listed below:

Counterparty	Transaction type	Stipulation date	Starting date	Expiry date	Notional (FX)	Forward exchange rate	Equivalent term (thousands of Euro)	MtM Bank
UNICREDIT	Sell AED Flex	22/11/2016	24/11/2016	27/09/2018	(16,238)	4.1230	(3,938)	327
Total							(3,938)	327

The fair value data at the end of 2017, adjusted to take into consideration the Credit Value Adjustment, are provided below:

Counterparty	Transaction type	Notional (FX)	Equivalent term (thousands of Euro)	MtM	Credit Value Adjustment (CVA)	MtM with CVA
UNICREDIT	Sell AED Flex	(16,238)	(3,938)	325	0	325
Total			(3,938)	325	0	325

It was not possible to identify an active market for this instrument. 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. In effect, although listings 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 assessments could be based.

Due to the substantial features of the derivative subject to analysis, it is classified as a hedging instrument. With reference to these instruments, the following information required by IFRS International Accounting Principles is given below:

Maturity Analysis

Expiry	Unicredit exchange derivatives (in Euro/000)
Within 1 month	0
Between 1 to 3 months	0
Between 3 to 6 months	0
Between 6 to 12 months	325
Between 1 to 2 years	0
Between 2 to 3 years	0
Between 3 to 5 years	0
Between 5 to 10 years	0
More than 10 years	0
Total	325

Sensitivity Analysis

Operation type	Fair value	Delta N.E. exchange Eur/FX 5%	Delta N.E.exchange Eur/FX -5%
Forward sales (Unicredit)	325	(175)	194

32. Assets and liabilities by maturity

	Within the next financial year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0	2,986	0	2,986
Deferred tax assets	0	18,059	0	18,059
Non-current tax receivables	0	23,164	0	23,164
Non-current trade receivables	0	88,174	0	88,174
Total	0	132,383	0	132,383
Financial liabilities	30,462	234,414	116,256	381,132
Deferred tax liabilities	0	3,505	0	3,505
Other non-current liabilities	0	20,801	85,452	106,253
Non-Current trade payables	0	23,648	0	23,648
Total	30,462	282,368	201,708	514,538

Financial liabilities maturing in more than five years refer to bank loans and the bond loan. Refer to Note 34 below.

Other non-current liabilities maturing in more than 5 years refer to the share of capital grants in proportion with the depreciation of the investment projects to which they refer.

33. Guarantees and commitments

Guarantees refer to bank guarantees given to third parties in our interest of €2,803 thousand (€3,422 thousand at 31 December 2016), and fell by €619 thousand mainly as a result of bank guarantees releases issued in previous years, including the Castel Giubileo lease agreement and the exchange rate adjustments for guarantees in foreign currencies.

Enav also signed two letters of patronage for €22,700 thousand in the interest of the subsidiaries Techno Sky and Consorzio Sicta in liquidation in favour of banking institutions to guarantee loans granted for €17,700 thousand and €5,000, respectively.

34. Management of financial risks

Credit risk

Enav is exposed to credit risk, which is the risk that one or more commercial counterparties may become unable to honour all or part of their payment obligations. This risk mainly appears in respect of current trade receivables relating to operating activities, and particularly in connection with en-route services and terminal services, which represent the biggest exposure in the financial statements. These amounts mainly refer to receivables accrued in respect of the air companies in relation to charges, for which Eurocontrol is the management and collection agent. In this context, leaving aside the intermediary role performed by Eurocontrol, which means that the receivables are formally presented in the financial statements and billed to this entity, measurement of the effective credit risk to which the Company is exposed takes place

according to the counterparty risk for each individual carrier for which the underlying receivables originally accrued. This is because Eurocontrol does not assume any credit risk with regard to the possible insolvency of carriers and it only settles its liabilities towards Enav following the collection of the respective sums from the airline companies. Eurocontrol, on the other hand, takes action to recover them, where necessary initiating legal proceedings.

A specific bad debts allowance is recorded in the financial statements for the risk of default by the Company's debtors. The write-down process used by Enav involves writing down debtor positions individually according to the financial situation of each debtor, the possibility of withdrawing the carrier's flying licence, the age of the receivable, internal assessments of the creditworthiness of individual debtors and information provided by Eurocontrol on en-route and terminal receivables. The amounts for which recovery is regarded as doubtful are recognised in the financial statements as a specific bad debts allowance for the adjustment of receivables. The total stood at €55,729 thousand at 31 December 2017. The size of this provision is reviewed periodically to make sure that it is constantly updated with regard to the credit risk perceived. At 31 December 2017, the amount of trade receivables for which recovery is regarded as doubtful was fully covered by the bad debts allowance in the financial statements.

Liquidity risk

Liquidity risk is the risk that Enav, despite being solvent, might be unable to meet promptly the commitments associated with its financial liabilities, whether expected or unexpected, due to difficulties in obtaining financial resources, or that it will be able to do so only under adverse economic conditions due to factors related to the perception of its risk by the market, or during situations of systemic crisis such as, but not limited to, the credit crunch and the sovereign debt crisis, or that it fails to meet its commitments (covenants) under certain loan agreements and the bond.

At 31 December 2017, Enav had available cash of €257.5 million and also had short-term lines of credit totalling €199 million relating to: i) short-term committed and uncommitted lines of credit; ii) a long-term unused line of credit of for €70 million, relating to an agreement with the EIB - European Investment Bank. The uncommitted lines of credit refer for €9 million to the current account overdraft, for €95 million to financial advances which can be used without any constraints regarding their destination, for €15 million for lines of credit for export advance payments and for €10 million for lines of credit for import advance payments. These lines of credit are subject to withdrawal and do not involve compliance with either covenants or other contractual commitments. The Company has a committed line of credit for €70 million, with a three-year term (2017-2019), not used at the date of the financial statements and subject to compliance with covenants, including: i) a net financial indebtedness to EBITDA ratio of not more than 3; ii) a net financial indebtedness to shareholders' equity ratio of not more than 0.7.

In the longer term, liquidity risk is mitigated by a debt management strategy that provides for a diversified financing sources structure, in terms of both types of credit facilities and counterparties, to cover the Group's financial requirements and to provide a balanced debt maturity profile.

In compliance with the general guidelines established by Company bodies and the policy approved by the Board of Directors, the Administration, Finance and Control function defines the short- and medium-/long-term financial structure and the management of the cash flows. The Function made decisions mainly aimed at: i) guaranteeing adequate financial resources available for planned short-term operating commitments, systematically monitored through cash planning activities; ii) maintaining a sufficient prudential liquidity buffer to deal with any unexpected commitments; iii) guaranteeing a minimum liquidity reserve level to ensure the coverage in full of medium/long-term debt due over a time horizon of 24 months; iv) ensuring an adequate level of flexibility for Enav's medium-/long-term development projects, relating to investment contracts for the technological and infrastructural modernisation of flight assistance systems.

Enav's gross financial exposure at 31 December 2017 stood at €379.7 million and is represented by the indebtedness with regard to the banking system through medium and long-terms loans of €199.7 million and with regard to subscribers of the bond issued on 4 August 2015 maturing on 4 August 2022 for a principal amount of €180 million.

The table below gives the due dates of medium-/long-term bank loans and the bond loan maturity analysis stated at the nominal value, without the effect of the amortised cost method.

Lender	Type	Residual debt at 31.12.2017	< 1 year	from 1 to 2 years	from 3 to 5 years	>5 years
Medio Credito Centrale	Medium and long term to 5 years	1,667	1,667	0	0	0
Unicredit	Medium and long term to 5 years	8,000	8,000	0	0	0
Unicredit	Medium and long term to 5 years	10,000	10,000	0	0	0
EIB - European Investment Bank	Medium and long term to 15 years	100,000	3,996	8,084	24,997	62,923
EIB - European Investment Bank	Medium and long term to 15 years	80,000	5,333	5,333	16,000	53,334
Bond		180,000	0	0	0	180,000
Total		379,667	28,996	13,417	40,997	296,257

The above loan agreements include general commitments and covenants for the Company with a negative content as well, which, although in line with market practices for loan agreements for similar amounts and types, could limit operations. Specifically, these agreements involve certain early repayment scenarios if certain events of default occur where the Company could be obliged to repay the loans immediately in full. Specifically, note the following:

- the loan agreement entered into in 2013 between Enav and the Banca del Mezzogiorno - Medio Credito Centrale S.p.A. for an amount of €10 million with a repayment plan with equal half-yearly instalments from November 2015 due in May 2018 and with an interest rate of the Euribor plus a spread of 1.9%, with a cross-default clause with the Bank having the right to ask for the early repayment of the loan if Enav does not comply with obligations of a financial nature other than those in the loan agreement, as well as a guarantee, with regard to banks or financial institutions, involving total

sums of more than €2 million, provided that there has been no remedy within 10 working days after the deadline;

- the two loan agreements entered into in 2008 by Enav and Unicredit, extended until 2018 through a contractual option, for an original amount of €100 and €40 million, respectively, with a payment plan with equal half-yearly instalments and with interest at the Euribor plus a 0.34% spread, include:
 - cross-default clauses which are applied if Enav or any other Group company does not comply with obligations of a financial nature other than those in the loan agreements, assumed with regard to banks or financial institutions.
 - a change of control clause, which includes the right for Unicredit to ask for the early repayment of the loans if the Ministry of Economy and Finance no longer retains control of the Company.

The two loans described above also include compliance with several financial covenants, including: i) a net financial indebtedness to EBITDA ratio of not more than 3; ii) a net financial indebtedness to shareholders' equity ratio of not more than 0.7;

- the loan agreements entered into by Enav and the European Investment Bank (EIB), respectively for €180 million in 2014 and €70 million in 2016, in order to fund investment projects associated with 4-Flight and other projects, relating to which, at 31 December 2017, Enav had used two tranches of the total loan equal to €180 million, with a repayment plan with equal half-yearly instalments from December 2018 and due in December 2029 and with a fixed interest rate of 1.515% for the tranche of €100 million and from June 2018 due in December 2032 and with a fixed interest rate of 1.01% for the second tranche of €80 million, which include:
 - a negative pledge clause, or a commitment by Enav not to establish or allow liens on any of its assets, where liens refer to any agreement or transaction relating to goods, receivables or cash realised as an instrument to obtain credit or fund the acquisition of an asset;
 - a cross-default clause which gives the EIB the right to ask for the early repayment of the loan if Enav or any other Group company does not comply with the obligations pursuant to any loan transaction or other financial transaction, other than this loan agreement;
 - a change of control clause, which includes the right of the EIB to ask for the early repayment of the loan if any party or group of parties acting in concert obtains control of Enav, or if the Italian Republic no longer retains control of the Issuer.

The loans also involve compliance with several financial covenants, verified on an annual or half-yearly basis and calculated using the consolidated data of the Group: i) a gross financial indebtedness to EBITDA ratio of less than 3; ii) an EBITDA to financial expenses ratio of less than 6;

- the regulation of the bond issued by Enav in August 2015 for a sum of €180 million and with the interest calculated at an annual gross fixed rate of 1.93% and repayment of principal in one settlement on 4 August 2022, includes:

- a negative pledge clause, namely a commitment pertaining to the Company not to establish or provide guarantees to third-parties on the debt or additional privileges to those guaranteeing the bonds issued unless authorised by the bondholders' meeting;
- a cross-default clause, which includes the right of bondholders to ask for the early repayment of the bonds if Enav or its subsidiaries does not comply promptly with the payment obligations relating to financial payables other than the bond for an amount of more than €15 million;
- a change of control clause, which includes the right of bondholders to ask for the early repayment of the bonds if a party other than the Italian Republic, its ministries (including the Ministry of Economy and Finance) or entities or companies directly or indirectly controlled by it or its ministries, comes to have control of the Issuer.

The regulation of the bond also involves compliance with financial covenants, such as: a) a net financial indebtedness to EBITDA ratio of not more than 3; b) a net financial indebtedness to shareholders' equity ratio of not more than 0.7.

With regard to previous years, Enav has always complied with the covenants set out in each loan. At 31 December 2017 there was nothing that implied that the Company had not complied with the covenants.

Interest rate risk

The main sources of Enav's interest rate risk exposure relate to the volatility of interest flows for variable-rate indexed loans and changes in market conditions for negotiating new debt instruments. At present, Enav does not own financial instruments valued in the financial statements at fair value and exposed to adverse changes following changes in the interest rates market level. In this respect there is only the risk that increases in interest rates could have a negative effect on the level of net financial expenses reported in the income statement and on the value of future cash flows. The occurrence of these circumstances could have a negative effect on the Company's equity, income and cash flows.

At 31 December 2017, around 5% of the Company's gross financial indebtedness carried variable interest rates. Current corporate interest rate risk management policies do not provide for the use of derivative financial instruments.

In order to limit the potential adverse effects of interest rate fluctuations, Enav implements policies designed to contain the cost of funding over time by limiting the volatility of its results. The Company pursues this target by systematically negotiating with banks of prime standing, in order to optimise the average cost of debt, as well as through the strategic diversification of financial liabilities by type of contract, duration and interest rate conditions (variable-rate/fixed-rate). In 2017, the average cost of bank indebtedness was around 1.6%, essentially in line with the previous year.

Currency risk

Enav's exposure to the risk of unfavourable changes in the current level of exchange rates due to its transactions in other currencies might have negative effects on its economic performance and the value of balance sheet items denominated in foreign currency. Although Enav operates mainly in the Italian market, exposure to currency risk derives mainly from cash flows related to investments in foreign currency, mainly the US dollar, in relation to the purchase of the equity interest of 12.5% in the share capital of US company Aireon. Note that Enav North Atlantic currently owns a 10.07% stake in the share capital of Aireon, having paid the third and fourth instalments, totalling USD 22.9 million. Note that the payment of the third instalment was completed on 6 February 2017 and the fourth and final instalment was paid on 27 September 2017. In this regard, the Company has entered into a specific flexible forward contract for the future purchase of US currency for each of the payment tranches contractually agreed for the acquisition of the above equity interest. The forward exchange rates (EUR/USD) agreed for the third and fourth tranches are, respectively 1.3580 and 1.3630.

To a lesser extent Enav is exposed to the currency risk associated with contracts signed for the provision of non-regulated services denominated in foreign currency (mainly in Malaysian ringgit and United Arab Emirates dirham). In order to manage the residual exposure to currency risk, the Company has developed a Policy whose guidelines make it possible to use different types of instruments, specifically swap and forward, as well as currency options. Speculative activities are not, however, permitted under the scope of these policies. Specifically, at the end of 2016, with regard to a foreign contract with the General Civil Aviation Authority of the United Arab Emirates, a hedge agreement was entered into through a flexible forward contract for a notional amount corresponding to the value of the contract (around AED 19.6 million) and a forward exchange for the sale of the currency (EUR/AED) of 4.123.

As far as the valuation of the exchange rate derivative instruments at fair value is concerned, it is calculated based on standard market algorithms and on market listings/contributions provided by leading public information providers. Note, however, that the risk resulting from the conversion of the assets and liabilities of Enav subsidiaries which prepare their financial statements in reporting currencies other than the euro, is not usually hedged, unless there has been a specific valuation.

Litigation risk

Litigation regarding taxation, administrative, civil or employment matters is handled by the competent functions of Enav, for the purpose of preparing these Financial Statements, which have provided a full and exhaustive picture regarding the various civil, administrative and employment proceedings. Taking into consideration the overall disputes, Enav has performed detailed evaluation of the risk of losing some of them, which assessment determined the need to prudentially set aside specific provisions for those disputes whose adverse outcome has been deemed probable and where the amount could be reasonably

quantified. Pursuant to the regulations governing the preparation of financial statements, no specific allocations were made in connection with those proceedings whose negative outcome was considered merely possible.

Currently, we do not believe that the pending litigation could result in significant disbursements for Enav, exceeding the amounts already allocated for this purpose in the provisions established at 31 December 2017.

Civil and administrative litigation

The civil and administrative litigation includes: i) the actions proceedings versus suppliers and airport companies that are insolvent or in bankruptcy or undergoing other insolvency proceedings, arisen in connection with the recovery of receivables that it was not possible to settle out of court. Some positions were written down; ii) litigation involving defence against actions brought by suppliers or contractors that Enav considered to be groundless, or for recovery of higher costs and/or damages that the Company incurred due to non-compliance of suppliers/contractors; iii) litigation involving claims of assets belonging to the Parent Company, compensation for damages caused by the loss of assets transferred to the Company, or claims for payment or improvements to assets; iv) litigation relating to claims for damages arising from aeronautical accidents, for which the risk of an adverse outcome is normally assumed by the insurance Parent Company; v) proceedings challenging the holding of open public procedures and the awarding of contracts; and vi) a dispute involving claims for damages due to failure to acquire a unit belonging to a third party company.

Appropriate allocations were made for the positions considered by the Company's legal staff to be probable.

Criminal proceedings

The criminal proceedings against a former CEO, for alleged offences envisaged under articles 319 and 321 of the Italian Penal Code and the assumption of complicity in the offence pursuant to art.7, paragraphs 2 and 3, law 194/1975 and art. 4, par. 1, law 659/1981 and a former Company manager for alleged offences envisaged under art. 319 and 321 of the Italian Penal Code, the ruling was not handed down due to the statute of limitations.

The criminal proceedings against the former Chairman of Enav Board of Directors, two former managers of Enav and the top management of a third party company, as well as former supplier of the subsidiary Techno Sky for alleged offences as envisaged under articles 81, 319 and 321 of the Italian Penal Code concluded with the ruling of not being able to proceed due to the statute of limitations. The Parent Company is a plaintiff in the proceedings against the consultant of a former Ministry of the Economy for the

crimes pursuant to articles 110, 319 and 321 of the Italian Penal Code. The proceedings concluded with the ruling which, insofar as known, is under appeal by the defendant.

There is no news regarding to the criminal proceedings pending in investigation phase of the criminal case against, among others, the top manager of a former construction company, the former Chief Executive Officer and board member of Enav and the top manager of an Enav supplier's sub-contractor, regarding the alleged criminal offences envisaged under art. 110 of the Italian Penal Code, art. 7, par. 2 and 3, Law 195/1974 and art. 4, par. 1, Law 659/1981 and the alleged criminal offence envisaged under art. 8, Law 74/2000, except for the Chief Executive Officer who is being investigated for the alleged criminal offence envisaged under art. 323 of the Penal Code, specifically for the subcontracts relating to the contract for the refurbishing of the Palermo Airport. With regard to the company relating to the contractor, civil proceedings are also pending with a partial ruling was handed down finding the invalidity of the contracts pursuant to which claims were brought for payment of professional services provided to Enav.

The criminal proceeding established following the lawsuit brought by the Company with regard to the illegal removal of goods and materials belonging to Enav which was stored at a third-party warehouse has been settled on appeal. In this proceeding the Company was a plaintiff against the shadow director of the warehousing company for the criminal offence envisaged under art. 646 of the Italian Penal Code and; with its ruling handed down on 16 February 2015, the Court declared the accused guilty, among other things, of the crime pursuant to art. 646 and sentenced him, including for other crimes he was accused of, to 6 years and 6 months of prison and a fine of €3,000. The Court also ordered an immediately executive provisional order of €1 million to be paid to the Parent company, referring the settlement of the damages incurred by Company to another forum. A ruling of non-suit was handed down for only one of the charges, due to remission and acceptance thereof. Finally, with regard to the remaining charges, the defendant was acquitted as it was adjudged there was no case to answer. The appeal subsequently established was ruled with the defendant being found guilty and the first instance terms in favour of the civil parties were confirmed. An additional proceeding, in continuation of the investigations initiated by the Rome Public prosecutor's office is currently pending and aimed at ascertaining the individuals who were the final recipients of the merchandise stored in the aforementioned third party warehouse in regard to the removal of which, as underlined above, Enav had initiated the claim. In these pending proceedings for multiple criminal offences involving the assets and criminal association against the various defendants, including the shadow director of the warehousing company, the Company was a plaintiff at the preliminary hearing and, upon conclusion; all the defendants were committed to stand trial.

In the criminal proceedings launched by the Sassari Public Prosecutor, the preliminary investigations have ended in respect of, among others, the General Manager for the alleged offences envisaged under art. 589 of the Italian Penal Code, 26. par. 1 and 2 of Legislative Decree 81/08, 25 septies of Legislative Decree 231/01 in relation to an accident happened during an extraordinary maintenance intervention that caused

the death of the director of the contracting company. The prosecutor has presented a motion for dismissal of the trial in respect of the Chief Executive Officer. The offence provided for under art. 25 septies Legislative Decree 231/01, regarding responsibility of entities was also claimed (although Enav was never formally notified), but in this regard too there is a motion to dismiss. Pursuant to an exhibition order on 24 November 2016, the Company produced documentation on certain contracts involving Enav North Atlantic; on the basis of available information, the investigation is pending before the Rome Public prosecutor's office, and the Company is not at present aware of any suspect persons or any official charge thereto.

35. Events after the financial statements reporting date

On 27 February 2018 the Board of Directors of Enav authorised the granting of a short-term shareholders' loan, via the subsidiary Enav North Atlantic LLC, in favour of the investee company Aireon LLC, up to a maximum amount of USD 7.13 million, which bears interest. The provision will take place in regular payment tranches, based on the financial requirements estimated by the management of Aireon. The first tranche of approximately USD 1.8 million was paid on 9 March 2018.

36. Proposal to the Enav S.p.A. Shareholders' Meeting

Dear Shareholders,

while reminding you that the 2017 financial statements closed with a profit for the year of €94,504,734.29, we invite you to:

- approve the financial statements as at 31 December 2017 where the profit for the year was €94,504,734.29;
- allocate 5% of the profit for the year equal to €4,725,236.71 to the legal reserve as indicated by Article 2430, paragraph 1 of the Civil Code and €89,779,497.58 as a dividend to be distributed to Shareholders;
- take an amount of €11,201,655.78 from the "retained earnings" available reserve in order to distribute, together with the allocation to the dividend of the profit for the year, giving a dividend of €100,981,153.36, corresponding to a dividend of €0.1864 per share.

Board of Directors



Attestation of the Chief Executive Officer and the Manager responsible for financial reporting on financial statements



Attestation of Enav SpA's separate financial statement for the year ended 31 December 2017 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 Company and
 - the effective application of the administrative and accounting procedures adopted in preparation of the separate financial statements during the period from 1 January 2017 to 31 December 2017.
2. In this regard, it should be noted that:
 - the adequacy of the administrative and accounting procedures adopted in preparation of Enav SpA's separate 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 separate financial statements for the year ended 31 December 2017:
 - 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.
 - 3.2 the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer, as well as a description of the main risks and uncertainties to which it is exposed.

Rome, Italy
12 March 2018

Chief Executive Officer
Roberta Neri

Manager responsible for financial reporting
Loredana Bottiglieri

(This certification has been translated from the original which was issued in accordance with Italian legislation)



Statutory Auditors' Report

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

(pursuant to Article 2429, paragraph 2 of the Civil Code and Article 153 of the TUF)

Dear Shareholders,

during the year ended 31 December 2017, the Board of Statutory Auditors performed its institutional duties in compliance with the Civil Code, Legislative Decree 39/2010, Legislative Decree 58/1998 (“Consolidated Finance Act” or “TUF”), the guidelines provided by Consob through notice DAC/RM/97001574 of 20 February 1997, and DEM 1025564 of 6 April 2001, later amended through notice DEM 3021582 of 4 April 2003, notice DEM 6031329 of 7 April 2006 and notice DEM/0031948 of 10/3/2017, issued in line with the previous notices DEM/0007780 of 28 January 2016 and DEM/0003907 of 19 January 2015.

The supervisory activity required by the law was also conducted according to the provisions of the Code of Conduct for listed companies, which the Company adhered to through the Board of Director’s resolution of 17 February 2016 and the Standards of Behavior issued by the Italian accounting profession. With reference to the provisions of Legislative Decree 39 of 27 January 2010, with special reference to Article 19, the Board of Statutory Auditors also performed the function of Internal Control and Auditing Committee (“CCIRC”).

Appointment of the Board of Statutory Auditors and activities

The Board of Statutory Auditors in office at the time of the preparation of this report is composed of Dr. Franca Brusco, who is the Chairperson, and standing Auditors Dr. Donato Pellegrino and Dr. Mattia Berti. The former were appointed at the Shareholders’ Meeting of 29 April 2016, while the latter was appointed at the Shareholders’ Meeting held on 20 June 2016, replacing the previous outgoing member. All of the current auditors will remain in office until the Shareholders’ Meeting called to approve the financial statements as at 31 December 2018.

The Board of Statutory Auditors verified the existence of the requirements of independence pertaining to its members and verified they were not ineligible or disqualified pursuant to Articles 2399 of the Civil Code and 148, paragraph 3 of the TUF and the Code of Corporate Governance and it verified compliance with the limit on the number of posts that can be held laid down by Article 144-*terdecies* of the Issuers’ Regulation.

The Magistrate delegated from the Italian Corte dei conti in charge of the Company’s supervision is always invited to and attends the meetings of the Board of Auditors.

The activities carried out by the Board of Statutory Auditors were related to 2017 and included regular meetings with the results duly recorded in appropriate minutes.

The Board of Statutory Auditors took an active part in all the meetings organised by the Company under the scope of its induction programme for corporate bodies, in compliance with the Code of Corporate Governance, in order to improve its skills and familiarity with the business sectors in which the Company operates.

The work carried out by the Board of Statutory Auditors in the various areas in which it exercises its supervisory activities is illustrated below in the order indicated by the Code of conduct issued by the Italian accounting profession (CNDCEC).

Observance of the law and the Articles of Association

With effect from the listing date, which took place on 26 July 2016, the Company was subject to the rules and regulations applicable to listed issuers and adopted the new articles of association. The Board supervised compliance with the above, as well as with other regulations in force, above all through participation and consequent acquisition of information flows to the Shareholders' Meeting, to the Board of Directors, the Remuneration and Appointments Committee and the Control, Risks and Related Parties Committee. Under the scope of its inspections, the Board of Statutory Auditors also met with the Supervisory Body, the Head of Internal Audit, the Financial Reporting Officer, the Independent Auditor EY S.p.A. ("EY"), the Directors, the General Manager, the heads of the various corporate functions, the administrative body and the control body of the subsidiary Techno Sky S.r.l. and representatives of the Company in Italian and foreign subsidiaries.

Specifically, during the year, the Board of Statutory Auditors met 14 times and attended 15 Board of Directors' Meetings, one Shareholders' Meeting and, in the person of its Chairperson and/or other members, participated in 15 meetings of the Remuneration and Appointments Committee and in 15 meetings of the Control and Risks and Related Parties Committee.

Still in regard to supervision of compliance with the law and by-laws, the Supervisory Body constantly provided the Board of Statutory Auditors with information on the issues pursuant to Legislative Decree 231/01, through liaison, with due regard for the reciprocal functions, also guaranteed by the constant presence at the meetings of the Board of Statutory Auditors of the Head of Internal Audit in his capacity as an internal member of the Supervisory Body, and through regular meetings in which the Board of Statutory Auditors, among other things, examined the Plan of activities for 2017 and the Report on activities for 2017, presented to the Board of Directors. No breaches or significant risks not dealt with through corrective measures emerged during these meetings. The same is true with regard to the regular meetings and consequent exchange of information with the Director in charge of the system of internal control and risk management in the person of the CEO.

Based on the supervisory activity conducted by the Board of Statutory Auditors, the Company complied with the disclosure requirements on regulatory and insider information or information requested by the supervisory authority, also in relation to the status of listed company. In addition, based on the supervisory activity conducted, each body or function of the Company appears to have complied with the disclosure obligations laid down by the specific regulations.

Overall, the internal or external information flows described and those resulting from the continuous exchange of information and documentation also emerging from the reports from the Board of Statutory Auditors meetings appear suitable to check conformity with the organisational structure, internal procedures, company records and resolutions of the corporate bodies with the legal requirements, statutory provisions and applicable regulations, as well as the codes of conduct to which the Company declared it wished to comply with and therefore there is no breach to report surrounding compliance with the law, by-laws and regulations or any observations worthy of note.

None of the Statutory Auditors had any interest, whether on their own behalf or that of third parties, in significant transactions during the year or in the related conduct resulting therefrom.

Compliance with the principles of correct administration

The Board of Statutory Auditors acquired all the information required to carrying out its tasks of control and supervision by: i) attending the meetings of the Board of Directors, the Control and Risks and Related Parties Committee, the Remuneration and Appointments Committee, ii) the meetings with the top management of the Company and the heads of the Company functions, iii) meetings with the Independent Auditor and with the Supervisory Body pursuant to Legislative Decree 231/2001, iv) meetings and exchanges of information with the Board of Statutory Auditors or the main subsidiary and representatives of the Company in Italian and foreign subsidiaries, as well as v) the analysis of information provided by corporate structures.

On the basis of the information acquired, the management decisions appear to have been inspired by the principle of correct information and reasonableness and the directors were made aware of the risks and effects of the transactions conducted.

During the year, the Board of Statutory Auditors received from the CEO regular information, on a quarterly basis, on the general performance of the company, its outlook - also during the various meetings of the Board of Directors in which the progress of the Group 2016-2018 Business Plan and the annual budget were discussed in depth - as well as on the major economic, financial and equity transactions approved and implemented by the Company or its subsidiaries. For the description of the characteristics of the major transactions in economic, financial or equity terms examined, please refer to the Report on Operations to the Financial Statements of the Company and the Consolidated Financial Statements of the ENAV Group for 2017.

The actions approved and implemented comply with the principles of correct administration and did not prove to be imprudent, reckless or in conflict with the resolutions passed by the Shareholders' Meeting or such that would compromise the integrity of the company assets, nor have been put in place any atypical or unusual transactions conducted with third parties, Group companies or related parties or, as referred to previously, that were in conflict of interest.

The adequacy of the organisational structure and the internal control system

The Company continued with the gradual consolidation of the organisational structure and governance, initiated with the listing, which took place on 26 July 2016. At the first Shareholders' Meeting following the listing, which was held on 28 April 2017, the Board of Directors was renewed for the three-year period 2017-2109; this Board is currently composed of nine directors, namely Roberto Scaramella, Roberta Neri, Giuseppe Acierno, Maria Teresa Di Matteo, Nicola Maione, Fabiola Mascardi, Carlo Paris, Antonio Santi and Mario Vinzia, and its term will expire on the date of the Shareholders' Meeting called for the approval of the Financial Statements as at 31 December 2019. The same Shareholders' Meeting then appointed Roberto Scaramella as Chairman of the Board of Directors.

On 4 May 2017, the Board of Directors appointed the new members of the Remuneration and Appointments Committee and the Control and Risks and Related Parties Committee, both already established by the previous Board of Directors with effect from the listing date. On the same date, the Board of Directors appointed Dr. Roberta Neri as Chief Executive Officer, also appointing her as the Director in Charge of the Internal Control and Risk Management System. Specifically, the Board of Directors, reserving the right, among other things, with regard to corporate guidelines and strategies, to approve the organisational macro-structure of the Company, the budget, the multi-year Plans, including the Strategic Plan, the Business Plan, the Investment Plan and the Performance Plan, as well as other corporate transactions of an extraordinary nature and to conclude acts of particular economic and financial significance, conferred wide-ranging powers on the CEO for the management of the Company, including legal representation, with the exclusion only of those reserved by law or by the articles of association to the Board of Directors or the Chairman. In the above-mentioned meeting of the Board of Directors, the Chairman was given the power to coordinate the auditing activities, to take care of national and international institutional relations and the Company's communication and its relations with the media, both domestic and foreign, together with the CEO.

The powers delegated appear to be effectively exercised and there seems to be a reconciliation between the decision-making structure formally adopted by the Company and the one that exists in practice, also with regard to the hierarchical reporting structure, the corporate training process and implementation of decisions, the financial disclosure process and the definition and the practical workings of the various levels of control.

As far as it is applicable to Board of Statutory Auditors supervisory activities, no problems emerged with regard to the composition, size and operation of the Board of Directors and Committees, with special reference to the requirements for independent directors, the calculation of remuneration, as well as the comprehensiveness, expertise and responsibilities associated with each corporate function.

The Board of Statutory Auditors acquired information and supervised, within its area of responsibility, the organisational adequacy of the Company, in compliance with the principles of correct administration and the adequacy of the provisions issued by the Company to its subsidiaries pursuant to Article 114, paragraph 2 of the TUF, through: 1) the direct acquisition of information from the managers of the competent corporate functions; 2) meetings and exchanges of information with the Board of Statutory Auditors and with the CEO of the

subsidiary Techno Sky and with the directors of foreign subsidiaries and their contact persons;
3) meetings with the independent auditors and the results of specific inspections, also involving foreign subsidiaries.

Based on the information acquired, the Board of Statutory Auditors successfully carried out supervisory activities on the adequacy of the organisational structure, in terms of structure, procedures, know-how and responsibilities, in relation to the size of the Company, its nature and the methods for pursuing the corporate purpose.

The Board of Statutory Auditors also supervised the adequacy of the Internal Control and Risk Management System (SCIGR), through: i) the examination of the assessment of the Board of Directors which expressed a positive opinion and the adequacy and effective operation of the SCIGR; ii) the examination of the Half-Year and Annual Financial Reports, the Plan of activities of the Risk Manager in 2017, the Risk Appetite Statement of the Board of Directors, the risk policies adopted by said Board, as well as the Reports prepared under the scope of Integrated Risk Management activities, aimed at representing the main risks of the Group and related mitigation plans; iii) the examination of the Report of the Financial Reporting Officer with regard to the administrative and accounting arrangements and to the internal control system on financial disclosure, the Internal Audit Report supporting the evaluation of the adequacy of the Internal Control and Risk Management System and the Reports of the Control, Risks and Related Parties Committee, with regard to 2017, the adequacy of the internal control and risk management system in relation to the characteristics of the business and the risk profile, as well as the effectiveness, in conformity with the provisions of application criterion 7.C.1, letter b) of the Code of Corporate Governance; iv) the examination of the Internal Audit Reports, as well as the regular information on the progress of the inspections and outcomes of the activities monitoring the implementation of the corrective measures identified following the audit activities; v) the information required by the internal procedures with regard to the investigation reporting launched by the Italian government bodies/authorities relating to complaints of irregularities, which could, if they prove to be founded, involve the Company, directly or indirectly, in Italy and abroad, as well as its directors and/or employees (note that the most significant events were the subject of specific information reported to the Board by the Legal and Corporate Affairs Function); iv) the acquisition of information from the heads of corporate functions; vii) the examination of company documents; viii) relations with the Board of Statutory Auditors of the main subsidiary pursuant to paragraphs 1 and 2 of Article 151 of the TUF; ix) participation in the works of the Control, Risks and Related Parties Committee and, where necessary, joint handling of certain specific issues; x) the continuation of specific supervisory initiatives, initiated also within the Board Meetings, and through periodical update requests from the Legal and Corporate Affairs department in relation to controls already undertaken in prior years in relation to several complaints formulated by the competent judiciary authorities with respect to which no material developments have emerged.

The various corporate functions comply with the obligations of regular reporting. Following the checks conducted by the Internal Audit department, which include those requested by the Board of Statutory Auditors, several improvement actions were recommended, including with regard to the set of procedures and the strengthening of the control systems. The effectiveness of these actions was also confirmed by the Board of Statutory Auditors. These actions were

implemented over the course of the year or are, at the time of the preparation of this report, in the process of being implemented.

The Internal Audit function has constantly supported the activities of the Board of Statutory Auditors. The Head of the Internal Audit function is always invited to the meetings of the Board itself and regularly attends, guaranteeing a constant exchange of information and an alignment between the respective supervisory and control activities, also in conjunction with the Control, Risks and Related Parties Committee, the secretary of which is selected from the Internal Audit function. Overall, the activities implemented by senior management were found to be effective and appropriate, as can also be concluded from the Report on Internal Audit activities for 2017, submitted to the Board of Directors' meeting held on 27 February 2018. The Internal Audit Function operates according to the mandate conferred upon it by the Board of Directors on 10 November 2016 and the multi-year Plan implemented from year to year and approved by the Board of Directors, following the opinion of the Control, Risks and Related Parties Committee and having heard the Board of Statutory Auditors. The Head of the Internal Audit function is also responsible for the management of anti-corruption and anti-fraud issues, with regard to which the Company has continued with the internal awareness process and has also established adequate reporting channels (whistle blowing), and is also defining the related regulations.

The Internal Audit function received 15 reports in 2017. All the reports were received and examined, giving rise to 7 investigations that were completed, in addition to the planned ones. On that note, the Board of Statutory Auditors examined the regular reports produced in 2017 by the Internal Audit department together with each of the 27 planned and unplanned audit reports prepared by said function, recording all the reports received during the year and the outcomes of the investigations conducted. Three of the unplanned audits were conducted following requests by the Board of Statutory Auditors and the outcomes were positive, with several opportunities for improvement discovered in relation to the promptness and comprehensiveness of the information flows to top management.

With respect to the reports concluded, note that several of these led to the introduction of second level checks and the need to introduce or update procedures.

The information flows between the Internal Audit Function, the Supervisory Authority, the Board of Statutory Auditors and the board Committees are intensive and prompt, also thanks to the participation to the Committees of the Chairman of the Board of Statutory Auditors, as well as several members thereof, and the head of the above-mentioned function. The work carried out by the two Committees is detailed and adequate, in terms of the numerous issues dealt with and their conduct, in conformity with the coordination with board activities and disclosure obligations.

The Board of Statutory Auditors therefore believes that the Internal Control and Risk Management System as a whole and the individual operating areas are adequate, demonstrating the consolidation of the safeguards adopted as a result of listing, taking into consideration the supervisory activity conducted over planning and internal control, the corporate risk assessment system, the internal control activities, the information and communication procedures and mechanisms, as well as monitoring activities.

The adequacy of the administrative and accounting system and legal auditing of the accounts.

The Board of Statutory Auditors monitored the Company's administrative accounting system and its reliability in correctly representing Company's business, using the information provided by the Financial Reporting Officer and the heads of the competent functions, the examination of the documentation prepared by the Company and the analysis of the activities conducted by the Independent Auditor.

Specifically, the Board managed to establish that, in 2017, the Financial Reporting Officer implemented and completed the evaluation of the adequacy and effective implementation of the administrative and accounting procedures pursuant to Article 154-bis of the TUF. This activity made it possible for the Financial Reporting Officer to issue attestation that the financial statements conform to the applicable international accounting standards and are capable of providing a true and accurate representation of the Company's equity, income and cash flows and those of the companies included in the scope of consolidation.

The Board of Statutory Auditors expressed its opinion with regard to the appointment of the Financial Reporting Officer for the three-year period 2017-2019, which took place through the resolution of the Board of Directors of 4 May 2017. As far as the activity conducted is concerned, based on the information acquired, the statements, procedures and declarations implemented by the Financial Reporting Officer appear to be complete. To this end, the Financial Reporting Officer prepared a plan of activities and updated the Regulations of the Financial Reporting Officer, successively approved by the Board of Directors on 12 March 2018.

The Board of Statutory Auditors also examined the reports of the Internal Audit department which examine the administrative and accounting aspects, with particular regard to valuation entries.

During the year the Board of Statutory Auditors met regularly with the managers of the Independent Auditor EY, in order to exchange relevant data and information pursuant to Article 150, paragraph 3 of the TUF, as well as Legislative Decree 39/2010. In these meetings the above-mentioned Independent Auditor did not communicate any significant fact or irregularity that needs to be pointed out in this report.

In so far as it concerns them, the Board of Statutory Auditors, pursuant to Article 19 of Legislative Decree 39/2010, evaluated and supervised the financial disclosure process as well as the effectiveness of the administrative and accounting control systems and the reliability of the latter for the purpose of an accurate representation of Company's business through: i) the regular exchange of information with the CEO and the Financial Reporting Officer in conformity with the provisions of Article 154-bis of the TUF; ii) the examination of the reports prepared by the Head of the Internal Audit function and the outcomes of any corrective actions undertaken following the audits; iii) the acquisition of information by the heads of corporate functions; iv) liaison with the control and administrative bodies of subsidiaries pursuant to Article 151, paragraphs 1 and 2 of the TUF; v) participation in the work of the Control, Risks and Related Parties Committee; vi) a detailed look at the key audit matters and other issues that emerged during the exchange of information with the Independent Auditor, which also

illustrated the its strategy, areas of attention, checks carried out and related outcomes without revealing significant shortcomings concerning internal control in relation to the financial disclosure process.

The Board of Statutory Auditors also verified the formal and material evaluation process of ENAV's investment in Techno Sky and in Aireon LLC, through the subsidiary ENAV North Atlantic, analysing the methodology applied and results and finding them to be correct and consistent with the representation in the respective impairment tests in the Financial Report, also in light of with similar evaluations conducted by the Board of Directors, supported by the Risks and Related Parties Control Committee and after hearing the Independent Auditor.

In the light of the supervisory activity conducted and also taking into account the evaluation that the organisational, administrative and accounting arrangements of the Company, formulated by the Board of Directors on 12 March 2018, are deemed them to be adequate, the Board of Statutory Auditors, in so far as it concerns them, believes that this system is essentially adequate and reliable for the purpose of the correct representation of management-related issues.

On 29 March 2018, the Independent Auditor EY, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of EU Regulation 537/2014, issued reports on the Financial Statements and the Consolidated Financial Statements for the year ended 31 December 2017, through which it:

- issued an opinion from which it appears that the Financial Statements and the Consolidated Financial Statements of the Group provide a true and fair view of the statement of financial position of the Company and the Group at 31 December 2017, the economic result and the cash flows for the year ended at that date in compliance with the International Financial Reporting Standards endorsed by the European Union;
- issued an opinion of consistency from which it appears that the Report on Operations that accompany the Financial Statements and the Consolidated Financial Statements at 31 December 2017 and the information in the Report on Corporate Governance and the Ownership Structures indicated in Article 123-*bis*, paragraph 4 of the TUF, are consistent with the financial statements and have been prepared in conformity with the law;
- confirmed that the opinion on the Separate Financial Statements and the Consolidated Financial Statements expressed in the above-mentioned reports is in line with what is indicated in the Additional Report prepared pursuant to Article 11 of Regulation EU 537/2014.

On 29 March 2018, the Independent Auditor EY also presented the Board of Statutory Auditors, in its capacity as Internal Control and Auditing Committee, with the Additional Report required by Article 11 of EU Regulation 537/2014, from which it emerges that there are no significant deficiencies in the internal control system in relation to the financial disclosure process which need to be brought to the attention of the governance bodies.

The Independent Auditor presented the Board of Statutory Auditors with the declaration of independence, as required by Articles 10-*bis*, 10-*ter*, 10-*quater* and 17 of Legislative Decree 39/2010, as well as by Article 6 of the above-mentioned Regulation, from which it appears that there are no situations that could compromise independence. In this respect, the Board believes

that no critical aspects have emerged with regard to the independence of the Independent Auditor. The Independent Auditor also published the 2017 Transparency Report on its website produced pursuant to Article 18, paragraph 1 of the above-mentioned decree.

The Board of Statutory Auditors verified that the total fees in 2017 for non-audit related services paid to the Independent Auditor EY and entities within its network by the Company and its subsidiaries complied with the limits pursuant to Article 4, paragraph 2 of EU Regulation 537/2014. For this purpose, the nature of the above-mentioned assignments was evaluated in the light of the regulatory criteria with regard to prohibited services pursuant to Article 5 of this Regulation. In the light of the provisions pursuant to Article 19 of Legislative Decree 39/2010, the Board declares that the fees for the above-mentioned assignments amount to a total of € 52,000 and are illustrated, pursuant to Article 149-*duodecies* of the Consob Issuers' Regulation in Note 40 to the Consolidated Financial Statements at 31 December 2017.

The separate and consolidated financial statements

The Board examined the draft financial statements for the year ended 31 December 2017, which recorded a profit for the period of €94,504,734.29 and, as far as the Board of Statutory Auditors is aware, there are no derogations from statutory rules.

As the Board of Statutory Auditors is not required to perform the function of the independent auditors, it supervised the general approach of the financial statements, their conformity to the law as far as their formation and structure are concerned, without finding any issues that needed to be reported. The Board of Statutory Auditors also verified compliance with the laws concerning the preparation of the report on operations, also in this case without any findings to report. The Directors illustrated in detail the entries in the Note and in the Report on Operations that led to the financial result and the generative events.

The Annual Financial Statements of ENAV at 31 December 2017 were 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 through (EC) Regulation No. 1606/2002 of 19 July 2002 as well as pursuant to Legislative Decree No. 38 of 28 February 2005 which governed the application of the IFRS under the scope of the Italian legislative body. The accounting standards adopted reflect the ENAV's ongoing operations, in the foreseeable future, being applied in the assumption of business continuity and conform to those applied in the preparation of the Financial Statements for 2016.

The ENAV 2017 Financial Statements were, as mentioned previously, audited by the Independent Auditor which, pursuant to Articles 14 and 16 of Legislative Decree 39/2010, expressed an opinion in their report with no findings or information requests.

The Independent Auditor also issued their report on the auditing of the 2017 Financial Statements of the subsidiary Techno Sky S.r.l. In addition, during the regular meetings with representatives of the Independent Auditor, the latter did not highlight any issues relating to the reporting packages of the main foreign companies of the ENAV Group.

With reference to the provisions pursuant to Articles 15 et.seq. of the Market Regulation (as recently amended through Consob Resolution 20249 of 28 December 2017), on the issue of accounting transparency, the adequacy of the organisational structure and the internal control system of non-EU subsidiaries, as at 31 December 2017, the Board of Statutory Auditors points out that the Companies to which this provision applies are included under the scope of companies for the purpose of the ENAV Internal Control System on financial disclosure, in relation to which no significant shortcomings have been reported. In this respect, the Board of Directors of the Company, following appropriate checks conducted by the Control, Risks and Related Parties Committee, in March 2018 also confirmed compliance of the above-mentioned regulatory framework during the approval of the 2017 Draft Financial Statements.

The Board of Statutory Auditors, having deemed the audit activities carried out to be sufficient, waived the deadline laid down by Articles 2429 of the Civil Code and 154-ter of the TUF for the preparation of this report.

Without prejudice to the fact that the Board of Statutory Auditors has no obligation to report or express formal opinions on the Consolidated Financial Statements, which is the responsibility of the Independent Auditor, it was acknowledged that the year ended with a profit of €101,497,826 pertaining entirely to the Group and how the specific report by EY, prepared pursuant to Article 14 of Legislative Decree 39/2010, did not include any findings or information requirements. The main relationships with subsidiaries will be shown below in the specific section of this report.

The non-financial consolidated statement (DNF)

The Board of Statutory Auditors, pursuant to Article 3, paragraph 7 of Legislative Decree 254 of 31 December 2016, monitored compliance with the provisions contained in said decree on the issue of a non-financial consolidated declaration (“DNF”) and, in this regard, found that the Company fulfilled the obligations required by law for the purpose of preparing the document in question, in conformity with Articles 3 and 4 of said Decree, as well as Article 5 of the Consob Regulation adopted through Resolution 20267 of 18 January 2018, and prepared in conformity with the principles and methods in accordance with the GRI Standards selected by the Company.

The DNF for 2017, approved by the Board of Directors on 12 March 2018, was accompanied by the limited review report issued by EY on 29 March 2018.

The Corporate Governance rules

The Company adopted the Code of Corporate Governance of companies listed in Italy through a resolution on 17 February 2016, also as per the Report on Corporate Governance and Ownership Structures for 2017, approved by the directors on 12 March 2018 and made available to the public on the Company’s website and in legal forms. This report was prepared according to the instructions in the Market Regulation organised and managed by Borsa Italiana S.p.A.

and pursuant to Article 123-*bis* of the TUF and it describes the corporate governance system adopted in detail.

The Board of Statutory Auditors believes that the report conforms to the rules laid down by the Code of Corporate Governance and, based on what emerged during the supervisory activities conducted, these rules were effectively and correctly applied.

The Board of Statutory Auditors also verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of directors.

The Board of Statutory Auditors verified that the Policy in the First Section of the Remuneration Report, prepared pursuant to Article 123-*ter* of the TUF and Article 84-*ter* of the Issuers' Regulation, which the Company will put to the non-binding vote of the Shareholders' Meeting, had been prepared and approved by the Board of Directors.

Relationships with the Parent Company and with the subsidiaries

Until 26 July 2016 the share capital was wholly-owned by the Ministry of Economy and Finance (MEF). Following the listing of the Company's shares on the Mercato Telematico Azionario (MTA) organised and managed by Borsa Italiana S.p.A., the MEF owned 53.373% of the shares and 46.627% were owned by institutional and individual shareholders. On 30 October 2017, the MEF granted 524,790 free ordinary shares in favor of the assignees of the Initial Public Offering who maintained full ownership of the shares for twelve months without interruption; therefore, as at 31 December 2017, the MEF owned 53.28% of ENAV's shares and 46.72% were owned by institutional and individual shareholders.

As far as relations with the MEF are concerned, note that the Company is subject to the golden powers regulation pursuant to Legislative Decree 21 of 15 March 2012, converted with amendments through Law 56 of 11 May 2012, as specified in the Report on Corporate Governance in paragraph 1.7.

Among the subsidiaries over which ENAV exercises management and coordination activities, the Italian company Techno Sky S.r.l., which is responsible for maintaining the plants, systems and software used for air traffic control in Italy and other countries, in order to ensure full operational efficiency and full availability, without interruption, is of particular importance. The Board of Statutory Auditors met with the control body of Techno Sky in order to exchange the necessary information, as well as to examine the consolidated financial statements for 2017, and the reports of the control bodies, from which nothing significant emerged that would make the Internal Control and Risk Management System be deemed as inadequate. Specifically, an independent Supervisory Body operates within Techno Sky, pursuant to Legislative Decree 231/01 and, based on the mandate conferred, the Internal Audit function operates for all Group companies. Specifically, the Internal Audit function informs the Board of Statutory Auditors of Techno Sky of the checks conducted and the results.

Related-Party Transactions

The Company has adopted rules that ensure the transparency and essential and procedural correctness of related-party transactions, in accordance with the general principles indicated by Consob, as described in the Report on Operations to the 2017 Financial Statements. Specifically, on 21 June 2016 and with effect from the listing date, the ENAV Board of Directors approved the “Procedure for governing related-party transactions”, pursuant to Article 2391-*bis* of the Civil Code and the Regulation adopted by Consob through resolution 17221/2010 and later amendments and supplements. This procedure, following the favorable opinion of the Control, Risks and Related Parties Committee, having heard the Board of Statutory Auditors, was most recently updated by the Board of Directors on 13 November 2017.

Specifically, as stated, the regulation on the operation of this board Committee was adopted through the board resolution of 21 June 2016, while the Committee was appointed for the first time through the resolution of 8 June 2016 and, following the appointment of the new Board of Directors, nine new members were appointed through the resolution of 4 May 2017. The composition of the Control, Risks and Related Parties Committee, both in its first and second conformation, satisfies the independence requirements laid down by the Code of Corporate Governance.

The Board of Statutory Auditors deemed the activity conducted by the Committee, also with the support of the Internal Audit function, as adequate, as well as the information provided by the Board of Directors in the Report on Operations with regard to intragroup operations and related-party transactions.

The 2017 Financial Statements contain details of related-party transactions in accordance with the provisions of IAS 24. The extent of relations of a commercial and other nature and those of a financial nature with related parties is adequately highlighted in the Notes to the Financial Statements, which should be referred to for the identification of the type of transactions in question and the related economic, equity and financial effects. These latter transactions, identified by IAS 24, mainly regard the exchange of goods, the provision of services and the supply and use of financial resources. The Notes to the Financial Statements also include the procedural methods adopted to ensure that related-party transactions are carried out in compliance with the criteria of transparency as well as procedural and essential correctness. Note that the transactions indicated were implemented in compliance with the approval and execution methods set out in the above-mentioned procedure and described in detail in the Report on Corporate Governance and Ownership Structure for 2017. All transactions for 2017 are part of ordinary transactions and are regulated, unless stated otherwise, at market conditions, i.e. at the conditions that would apply to two independent parties, and are carried out in the interest of Group companies.

Omissions and reprehensible actions. Claims and opinions provided.

In the supervisory activity performed by the Board of Statutory Auditors, no omissions by the directors or reprehensible actions emerged, therefore there are no irregularities worthy of reporting to Consob pursuant to Art. 149 paragraph 3 of the TUF.

During the year and to date, the Board of Statutory Auditors received the following complaints pursuant to Article 2408 of the Civil Code:

- i) During the Shareholders' Meeting held on 28 April 2017, one shareholder submitted a complaint with regard to the failure of members of the Board of Statutory Auditors to resign during the listing on the stock exchange and the alleged inadequacy of the remuneration of members of the Board of Statutory Auditors, proposing an increase of at least 50%. The Board of Statutory Auditors, despite considering the claim not to have been presented in conformity with procedural formalities, after examining the matter, declared it unfounded having taken into account the fact that the adequacy of the remuneration, approved by the Shareholders' Meeting, also on the basis of the remuneration for members of Boards of Statutory Auditors of other listed companies;

The other complaints were all submitted on 28 May 2017 in two distinct communications sent by the same shareholder.

- ii) Firstly the incomplete fulfillment of the question posed before the 2017 Shareholders' Meeting on related-party transactions of a small amount was claimed, as well as those of less importance outside the Group. With regard to this complaint, the Board of Statutory Auditors carried out in-depth investigations with the support of the Administration Department also evaluating the data in the financial disclosure. Following the checks carried out, no negligent behavior emerged with regard to compliance with disclosure obligations surrounding related-party transactions, as reported in the 2016 Financial Report.
- iii) The excessive brevity of the minutes of the meeting was then stressed. In this regard the Board of Statutory Auditors carried out in-depth investigations with the support of the Legal and Corporate Affairs Department, supported by the Notary who prepared the minutes of the 2017 Shareholder's Meeting, Dr. Salvatore Mariconda. At the conclusion of the checks, the proceedings of the meeting, clearly explained by the Chairman at the start of the session and the minutes were deemed to conform with the primary applicable regulations as well as with the framework of the Company's by-laws.
- iv) The failure to disclose the names of the persons investigated under criminal proceedings with reference to the financial disclosure was reported. The Board of Statutory Auditors carried out adequate verification activities in this regard, at several meetings and with the support of the Administration and Legal and Corporate Affairs Departments. Following the investigations, it was revealed that the information disclosed in the 2016 Financial Report with reference to criminal proceedings conformed with the requirements of Article 2423 of the Civil Code on the issue of the disclosure of financial information.
- v) There was also an allegation that the question posed before the 2017 Shareholders' Meeting concerning the data on in the quotas of protected categories pursuant to Law 68/99, containing rules for the right to work of disabled people within Italy-incorporated companies, had not been answered in full. With respect to the claim, the Board of Statutory Auditors verified, through the analysis conducted with the support of internal structures,

the consistency of the application of this rule and the quota calculation criteria applied by ENAV From, , taking into account also the European regulation, and the international conventions to which Italy has adhered, which dictate stringent suitability requirements for operational personnel employed in air navigation services. The Board of Statutory Auditors, verified the transparency and proactiveness with which the Company has operated, in the communications and dialogue with the competent supervising authorities, in relation to the application of these rules and the quota calculation criteria adopted, also in seeking the endorsement and guidance in relation to its obligations. The Board of Statutory Auditors found that the local competent office corroborated the behavior of the Company and, for further confirmation, involved another competent body to provide a specific opinion on the matter, currently still being defined. At the date of the issuance of this report the Board of Statutory Auditors does not therefore believe there are any findings of reprehensible elements pursuant to Article 2408 of the Civil Code, without prejudice to the fact that the development of the proceedings in progress will continue to be monitored.

- vi) Lastly, there was a claim of the poor legibility of the answers to the questions before the meeting. In this regard, following the investigations, conducted with the support of the Legal and Corporate Affairs Department, as well as that of the Brand Development Department (the internal structure responsible for the organisation and logistics of the meeting), no reprehensible behavior emerged as the Board of Statutory Auditors was able to check the material legibility of the questions and answers distributed directly during the Shareholder's Meeting, which were only slightly faded due to the use of photocopies, also for the sake of the completeness of the content of the answers, that the Company had to perform directly at the Shareholder's Meeting venue utilizing the printers available.

In 2017, the Board of Statutory Auditors was called upon to express the following opinions, which were always positive, with regard to:

- i) the approval of the criterion for the awarding of the second tranche of the transaction bonus for the CEO;
- ii) the approval of the guidelines for the 2017 performance targets (MBO) for the CEO and strategic managers;
- iii) the appointment of the Financial Reporting Officer for the three-year period 2017-2019;
- iv) the calculation, pursuant to Article 2389, paragraph 3 of the Civil Code, of the remuneration for members of board committees;
- v) the calculation, pursuant to Article 2389, paragraph 3 of the Civil Code, of the remuneration of the CEO;
- vi) the calculation, pursuant to Article 2389, paragraph 3 of the Civil Code, of the remuneration of the Chairman of the Board of Directors and the members of board Committees and the Guidelines for strategic managers;
- vii) the approval of: a) the guidelines for strategic managers; b) the adoption, in the short-term, for both the CEO and for strategic managers, of an incentive policy in the event of underperformance for 2018 and 2019; c) social security and pension safeguards for the CEO; d) benefits for the CEO; e) severance pay for the CEO; f) the Regulation implementing the Performance Share Plan and the initial launch of the Plan for the three-year period 2017-2019.

Conclusions

Based on the above-mentioned activities carried out, and taking into account the considerations reported above, the Board of Statutory Auditors, pursuant to Article 153, paragraph 2 of the TUF, expresses its favorable opinion on the proposal to approve the Financial Statements as at 31 December 2017 and on the proposal to allocate the profits for the year according to the terms formulated by the Board of Directors.

29 March 2018

Franca Brusco - Chairperson _____

Mattia Berti - Standing Auditor _____

Donato Pellegrino - Standing Auditor _____



**Independent Auditor's Report
on the financial statements**



Enav S.p.A.

Financial statements as at December 31, 2017

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

Independent auditor's report in accordance with article 14 of
Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU
Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Enav S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Enav S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, and the income statement, the statement of other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Valuation of the investment in Techno Sky S.r.l.</p> <p>The investments in subsidiaries at 31 December 2017 amounts to Euro 146,9 million. The investment in the subsidiary the equity investment in the subsidiary Techno Sky S.r.l. amounts to Euro 99,2 million.</p> <p>At least once a year, the company management assess the existence of impairment indicators for each investment, coherently with its strategy of managing legal entities within the group and, if they occur, the management execute an impairment test; in particular, during the year the impairment test has been carried out on the investment held in the subsidiary Techno Sky S.r.l..</p> <p>The processes and methodologies for assessing and determining the recoverable value of the investment are based on assumptions that for their nature require management's judgment, with particular reference to the identification of impairment indicators, the forecast of its profitability for the period of the economic and financial plan 2018 - 2022, to the determination of the normalized cash flows used for the calculation of the terminal value and the determination of long-term growth and discounting rates applied to the forecasted future cash flows.</p> <p>In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of the goodwill, we have determined that this area constitutes a key audit matter.</p> <p>The disclosure related to the assumptions and estimates used by the corporate management is reported in the explanatory note "Use of estimates and management judgements ", while the disclosure related to the process for determining the recoverable value of the investment, the valuation assumptions used and the sensitivity analysis of the recoverable amount are reported in note "7. Investments".</p>	<p>Our audit procedures in response to this key audit matter concerned, among others, consistently with the corresponding impairment test of the goodwill in the consolidated financial statements, the assessment of the forecasted of future cash flows, the verification of the consistency of the forecasted future cash flows of the investment, with the financial plan 2018-2022, the testing of quality of such forecasts against the previous forecasts and the assessment of the long-term growth and discount rates assumed by the Company.</p> <p>In performing our procedures, we have leveraged the assistance of our experts in valuation techniques, who performed an independent recalculation and sensitivity analyses of the key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of the recoverable value.</p> <p>Lastly, we reviewed the disclosures provided in the notes to the financial statement regarding the valuation of the investment in the subsidiary Techno Sky S.r.l..</p>

Valuation of the investment in Enav North Atlantic LLC

The investments in subsidiaries at 31 December 2017 amounts to Euro 146,9 million. The investment in the subsidiary Enav North Atlantic LLC is equal to Euro 47,5 million of euro. Enav North Atlantic LLC has been incorporated by Enav S.p.A. in order to make an investment in the US Company Aireon LLC.

The processes and methods for assessing and determining the recoverable value of the investment, based on the valuation of the recoverability of the investment in Aireon LLC, are consistent with the correspondent valuation performed with reference to the consolidated financial statement.

The disclosure related to the valuation of the investment in Enav North Atlantic LLC is reported in the explanatory note " Use of estimates and management judgements" while the disclosure related to the methods of execution of the impairment test and the results obtained, including the sensitivity analysis on the evaluation parameters, is reported in the note "7 Investments ".

Our audit procedures in response to this key audit matter concerned, among others, the analysis of the future cash flows, also with reference to their consistency with the economic and financial plan for the development project of the investee, and the assessment of the discount rate.

In performing our procedures, we have leveraged the assistance of our experts in valuation techniques, who performed an independent recalculation and a sensitivity analysis of the key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of the recoverable value of the participation.

Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding the valuation of the investment in Enav North Atlantic LLC.

Recognition and valuation of revenues – cd. *Balance*

The policy for recognizing revenues from terminal and route services provides for revenue adjustments recorded at the year end in order to reflect the effective performance for the year; such revenue adjustments, performed through the "Balance" mechanism, will be regulated by specific tariff mechanisms during the years following the current financial year.

The processes and methodologies for measuring such revenue adjustments are based on complex calculation algorithms and assumptions that for their nature require management's judgement, in particular with reference to the estimated recovery of the amounts in the financial years following the financial current financial year and

Our audit procedures in response to the key audit matter concerned, among others, the understanding of the applicable legislation, the understanding and evaluation of the estimation methodologies used by the management, the assessment of the processes and key controls, the assessment of the discount rates assumed and the verification of the arithmetic correctness of the calculations performed by the management.

Lastly, we reviewed the disclosures provided in the notes to the financial statements with reference to the measurement and accounting methodology of revenue adjustments provided

the determination of the discount rate.

under the Balance mechanism.

In consideration of the complexity involved in estimating revenue adjustments from the Balance mechanism, we have determined that this area constitutes a key audit matter.

The disclosures related to the revenues accounting policy and the measurement methodologies provided under the Balance mechanism are included in notes "4. Accounting standards" and "5. Use of estimates and management judgements".

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design

- audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
 - we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
 - we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholder of Enav S.p.A., in the general meeting held on April 29 2016, engaged us to perform the audits of the financial statements of each years ending December 31 2016 to December 31 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Enav S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of Enav S.p.A. as at December 31, 2017, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Enav S.p.A. as at December, 31 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Enav S.p.A. as at December, 31 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, 29 march 2018

EY S.p.A.
Signed by: Mauro Ottaviani, partner

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



Legal information and contacts

Registered office

Enav SpA

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Legal information

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

Tax Code and enrolment number in the Companies Register
of Rome: 97016000586

VAT Registration No. 02152021008

Investor Relations

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