2020 Annual Financial Report

enav

ENAV Key Data 2020

€771.3 million
Group revenues

€210.8 million
Group EBITDA

4 Area Control Centres

45 Control Towers

Europe's leader for punctuality with
0.007 minutes
of ATFM delay allocated en route

4,391
peak number of flights handled in one day

842,327
flights handled annualy

4,147 Employees

732,800 km²
of airspace managed

2020 Annual Financial Report

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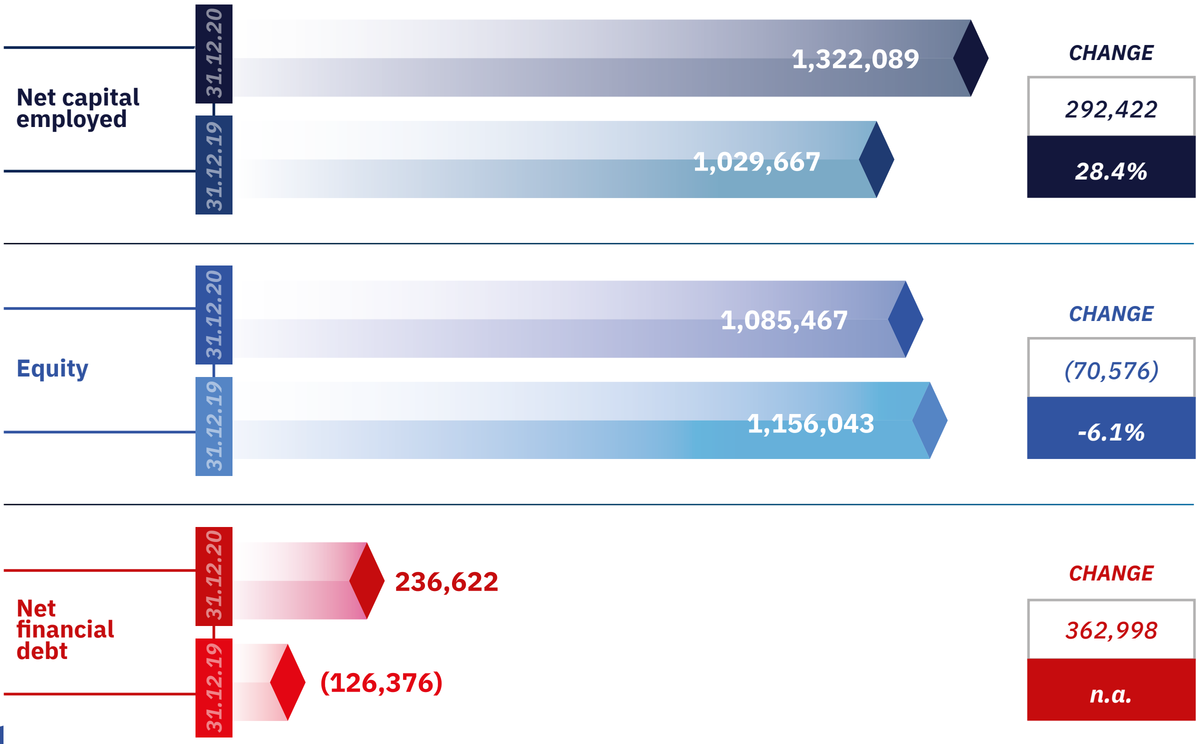
ENAV Group in figures

FINANCIAL POSITION *(thousands of euros)*



OTHER INDICATORS

	2020	2019	CHANGE	%
En-route service units	3,989,844	10,045,778	*(6,055,934)*	-60.3%
Terminal service units Charging Zone 1	73,384	233,630	*(160,246)*	- 68.6%
Terminal service units Charging Zone 2	143,169	344,594	*(201,425)*	- 58.5%

PERFORMANCE *(thousands of euros)*

	2020	2019	CHANGE	
Total Revenues	771,295	902,891	(131,596)	-14.6%
EBITDA	210,785	302,871	(92,086)	-30.4%
EBIT	71,124	170,587	(99,463)	-58.3%
Profit for the year attributable to the Group	54,283	118,433	(64,150)	-54.2%

EBITDA margin: 27.3% (2020), 33.5% (2019) – margin -6.2%

EBIT margin: 9.2% (2020), 18.9% (2019) – margin -9.7%

	2020	2019	CHANGE	%
Terminal service units Charging Zone 3	188,541	440,107	*(251,566)*	- 57.2%
Free Cash flow (thousands of euros)	(225,306)	248,566	*(473,872)*	n.a.
Headcount at end of year	4,147	4,195	*(48)*	- 1.1%

Report on operations

CORPORATE BODIES

BOARD OF DIRECTORS*

Chair
Francesca Isgrò

Chief Executive Officer
Paolo Simioni

Directors
Angela Bergantino
Laura Cavallo
Giuseppe Lorubio
Fabiola Mascardi
Fabio Pammolli
Carlo Paris
Antonio Santi

COMMITTEES

Board of Auditors
Dario Righetti (C)

Standing auditors
Franca Brusco
Pierumberto Spanò

Alternate Auditors
Francesca Parente
Roberto Cassader

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

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

Sustainability Committee**
Carlo Paris (C)
Angela Bergantino
Fabiola Mascardi

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

Audit firm
EY S.p.A.

(*) The Shareholders' Meeting of 21 May 2020 appointed the ENAV Board of Directors, which will remain in office for the 2020-2022 period. Its term will end on the date of the Shareholders' Meeting called to approve the financial statements at 31 December 2022.

(**) The Committees were formed by the Board of Directors at its meeting of 21 May 2020 following the Shareholders' meeting.

Corporate Governance

The ENAV corporate governance structure reflects the recommendations of the Corporate Governance Code for listed companies promoted by Borsa Italiana and the provisions of Legislative Decree 58 of 24 February 1998 (the Consolidated Law on Financial Intermediation, or Consolidated Law).

The governance model is the traditional Italian model, which, save for the powers reserved to the Shareholders' Meeting by law and the Articles of Association, gives the Board of Directors responsibility for the strategic and operational management of the Company, while the Board of Auditors is charged with performing oversight functions. The statutory audit is performed by an audit firm.

For a comprehensive examination of corporate governance arrangements, please see the *Report on Corporate Governance and the Ownership Structure* (hereinafter the "Report"), prepared pursuant to Article 123-*bis* of the Consolidated Law as an autonomous document approved by the Board of Directors on 20 April 2021 and published on the Company's website at www.enav.it in the Governance section in conjunction with the publication of this Annual Financial Report, as well as in the specific section containing the documents and reports to be submitted for approval by the Shareholders' Meeting.

The criteria for determining directors' remuneration are discussed in the Remuneration Report, prepared in compliance with Article 123-ter of the Consolidated Law, as amended by Legislative Decree 49 of 10 May 2019, which transposed Directive 2017/828 (the Shareholders Rights Directive 2) into Italian law, and Article 84-*quater* of the Consob Issuers Regulation and published in the Governance section of the Company's website.

Consolidated statement of non-financial information

In implementation of EU legislation (Directive 2014/95/EU) and national law (Legislative Decree 254/2016) that introduced an obligation for public interest entities to provide non-financial information, since 2017 ENAV has prepared a consolidated statement of non-financial information (NFS) as a separate report subject to independent approval by the Board of Directors of ENAV.

As in 2019, the Group has prepared the Sustainability Report, which also incorporates the NFS pursuant to Legislative Decree 254/2016 as amended, drawn up on an annual basis in accordance with the GRI Sustainability Reporting Standard published by the Global Reporting Initiative (GRI) in 2016 and assessed in a limited audit by EY S.p.A. The document is published on the Company's website at www.enav.it.

Organisational model and activities of the ENAV Group

Organisational model

In 2020, work continued on optimising the Group's organisational model, which the previous year had seen the implementation of a common organisational model with the subsidiaries, providing for the centralisation at the Parent Company of support processes for all operations, with the subsidiaries being given exclusive responsibility for core business processes.
The organisational structure of ENAV is shown below.

During 2020, the following organisational measures were implemented:

- within the *Operations* unit, which is responsible for providing the core Air Traffic Management (ATM) services, the *Operational and Consulting Services* unit was reorganised in order to fully implement the new Group business model, with the aim of consolidating an organisational approach based on skill groups. The structure of the unit is now capable of handling commercial orders more effectively. Among its responsibilities, *Operational and*

Consulting Services supports the *Bid Management* unit of IDS AirNav in the definition of technical proposals and the delivery of technical-specialist services, coordinating with *Program Management Office* of IDS AirNav;

- the *Technology* unit, which is responsible for the engineering and maintenance of ATM infrastructure, systems and software and for implementing investments, modified its organisational configuration with the incorporation of the *ERP and Applications* unit, which was organisationally repositioned to report directly to the Chief Technology Officer in order to ensure unitary technological oversight of management applications, ERP and IT investments;
- the *Finance and Procurement* unit was also affected by organisational measures intended to consolidate the Group's new organisational model established in 2019. New *IDS AirNav Administration* and *IDS AirNav Control* units were established within the *Administration and Control Subsidiaries* unit. They are respectively responsible for handling the subsidiary's activities in administrative and accounting processes and in management control processes. In addition, following the appointment of the head of Finance and Procurement as Manager responsible for financial reporting, the *Internal Control over Financial Reporting* unit now reports directly to the Chief Financial Officer;
- *Internal Audit* also underwent a reorganisation that focused in particular on the Data Protection Officer (DPO). Although the DPO had already been formally appointed with a service notice, it was deemed advisable to reconfirm the appointment with establishment of a specific corporate unit to support the DPO's operations in order to ensure compliance with applicable regulations in this field;
- the *Labour Cost, Labour Law and Payroll* unit within *HR and Corporate Services* underwent a reorganisation involving the transfer to the *Labour Cost* unit, renamed *Contract Management and Labour Cost*, of the activities of the *Contract Management* unit that previously operated within the *People Business Partners* unit.

The Group's business

The ENAV Group's business can be broken down into four distinct operational sectors to which all the consolidated companies are allocated, namely i) air navigation services; ii) maintenance services; iii) Aeronautical Information Management (AIM) software solutions and iv) other services.

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

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

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

The residual *other sectors* segment includes:

- **Enav Asia Pacific Sdn Bhd**, a Malaysian company wholly owned by ENAV, which is involved in business development and the delivery of services on the non-regulated market, with particular regard to the areas of strategic interest in Southeast Asia.
- **Enav North Atlantic LLC**, which currently holds 9.14% of the share capital of Aireon LLC, which will rise to 11.1% post redemption. It is responsible for the implementation of the first global satellite monitoring system for air traffic control, with the aim of enabling the comprehensive surveillance of all routes worldwide, with a focus on the polar, oceanic and other remote areas currently not covered by the radar-based air traffic control services, and enabling the optimisation of routes and achieving ever higher standards of flight safety and efficiency.
- **D-Flight S.p.A.** a company 60% held by ENAV and 40% held by the industrial partnership formed by Leonardo S.p.A. and Telespazio S.p.A. through the specifically established company UTM Systems & Services S.r.l.. D-Flight is involved in the development and provision of services for low-altitude air traffic management of remotely piloted aircraft and all other types aircraft that fall within the unmanned aerial vehicles category.
- **ENAV España Control Aereo S.L.U.** a company wholly owned by ENAV, which was acquired in January 2020 in order to participate in the tender for the award of terminal air traffic management services organised by the Spanish airport operator. In view of the unfavourable outcome of the tender, it was placed in liquidation and definitively liquidated on 1 March 2021.
- **Sicta Consortium in liquidation**, which was placed in voluntary liquidation following a resolution voted by all the Consortium's shareholders on 3 March 2017, with effect from 28 March 2017. In February 2021, the shareholders resolved the total liquidation of the Consortium and approved the plan for the allotment of its residual assets between the shareholders ENAV and Techno Sky.

Information on ENAV's stock in 2020

ENAV, which has been listed on the Mercato Telematico Azionario (MTA) operated by Borsa Italiana S.p.A. since 26 July 2016 is currently the only Air Navigation Service Provider (ANSP) listed on an equity market.
Since the date of listing, the ENAV stock price has risen by 9.0%, closing at €3.598 per share at 31 December 2020. During 2020, the stock price declined after opening the year at €5.43 and closing the period at €3.598 (a decrease of 33.7%, without considering the dividend yield), giving ENAV a market capitalisation of €1.95 billion. In the same period, the FTSE MIB, the index of the top 40 Italian stocks, fell by 6.7% and the FTSE Mid Cap index, of which ENAV is part, declined by 6.8%. The price of the stock peaked on 19 February 2020 at €6.145, while the low was registered on 28 October 2020 at a price per share of €2.898.
The ENAV stock performance in 2020 was severely impacted by the adverse effects of the COVID-19 pandemic on the air transport sector, as well as consequent regulatory changes implemented by the European Commission, which essentially modified the charging scheme for 2020 and 2021.
In the first three months of 2021, ENAV shares recouped part of the loss experienced in 2020, rising to €4.208 per share on 6 April 2021.

The Parent Company holds treasury shares acquired in 2018, while no such shares were purchased in 2020. At 31 December 2020 ENAV held 772,103 treasury shares, equal to 0.14252% of share capital, purchased at an average net price of €4.14 per share, with a total net value of €3.2 million.
At the end of 2020 ownership of ENAV's share capital, amounting to €541,744,385, broke down as follows: 53.28% was held by Ministry for the Economy and Finance, 46.58% was held by market investors, with a significant presence of retail investors, some of the leading US, Canadian, Australian and European institutional investors, as well as a number of the main international sovereign wealth funds, and 0.14% was held by the Parent Company in the form of treasury shares.

Operations

Operating environment and performance

The emergency associated with the progressive spread of COVID-19 generated extraordinarily critical conditions in 2020, rapidly altering the way we live and work. In order to counter the spread of the virus, many countries, including Italy, were forced to take unusual steps to respond to its exceptional nature, such as first imposing a lockdown on all activities, followed by targeted restrictions depending on developments in the health emergency.
For Italy, the adverse impact of these developments on the transport industry hit the air transport sector especially hard. An important asset for the entire economy, air transport experienced a rapid contraction, with traffic volumes approaching zero. Compared with the previous year, air traffic movements through Italian airports decreased by 57.2%, while the volume of passengers fell by 72.6%. With regard to the demand for air navigation services expressed in terms of service units, the total for the year contracted by 60.3% compared with 2019.
Taking account of the effects of the pandemic on the year, at the end of March the Group had already begun a process of replanning its costs in order to reduce expenditure overall and to mitigate the effects of the reduction in revenues from charges, without however compromising the levels of capacity and safety delivered in the provision of its services.
The most substantial measures concerned the variable portion of personnel costs, which focused on the use of holidays, the containment of overtime and business travel, as well as the rescheduling of hiring planned for the year. At the same time, further actions were taken to reduce costs for non-operational maintenance, consulting services, utilities and general costs not directly related to operating the business.
In overall terms, the reduction in costs helped to mitigate the adverse effects on operations caused by the reduction in rate revenues and the concomitant decline in balance revenues as a result of the adjustment of the charging mechanism envisaged by the European Commission. More specifically, while en-route air traffic contracted by about 60% compared with 2019, revenues fell by 14%, mainly thanks to the protection offered by the regulatory system, which made it possible to recover much of the loss of traffic through the balance mechanism.
However, while revenues benefited from the charging mechanism, the balance generated in the year did not generate a cash flow for the Parent Company, as it will be recovered through adjustments to unit rates from 2023 onwards.

The Group’s financial position was consequently affected by the foregoing developments, generating net financial debt at 31 December 2020 of €236.6 million (compared with a net cash position of €126.4 million at 31 December 2019). The Parent Company promptly implemented a series of measures to reduce cash outlays through the containment of operating costs and the restructuring of investments and increased the medium/long-term exposure to banks, which at the end of 2020 amounted to €545 million. In addition to existing credit lines, it now also includes the New Sustainability Loan of €150 million finalised in October 2020, with a term of three years and amortisation beginning in 2021. The Group’s cash and cash equivalents at 31 December 2020 amounted to €316 million.

Market and air traffic developments

Air traffic control activities in 2020 were fully impacted by the effects of the global health emergency connected with COVID-19, which with the imposition of lockdown measures in early March 2020 saw a sharp contraction in demand as a result of the restrictions imposed on the free movement of passengers between countries, with particularly severe impacts on airlines, airports and air navigation service providers.
Last year ended with a drastic reduction in en-route traffic volumes, as en-route service units (*) fell by 60.3% compared with 2019. This figure reflects the combined effect of the substantially positive performance recorded in the two months prior to the spread of COVID-19, with January recording an increase of 8.5% and February one of 11.2% compared with the corresponding months of the previous year, followed by the sharp reduction in traffic volumes recorded in the second, third and fourth quarters of 2020 of 89.2%, 61.1% and 62.9%, respectively, compared with the corresponding periods of 2019. There was a partial recovery in demand in the summer and subsequent months that came to an abrupt halt in November as a result of the new and more stringent restrictions imposed by countries in response to the new wave of the COVID-19 pandemic.
Similar developments were registered in Europe, where the average number of service units in 2020 for the countries belonging to Eurocontrol decreased by 57.9%, with all the countries in the European comparator group posting declines: France (-60.8%), Germany (-54.6%), the United Kingdom (-59.5%) and Spain (-61.4%).
Terminal service units registered in Italy also contracted by 60.3% in 2020, reflecting in particular the especially large fall posted by Rome Fiumicino airport, which closed 2020 with a decline of 68.6%.
In addition to causing a drop traffic volume, the COVID-19 pandemic produced a drastic reduction in air connectivity in 2020, i.e. the number of available routes and the frequency of connections between a country and the rest of the world. In particular, in Italy, in the months between April and September 2020, air connectivity decreased by almost 90% compared with 2019, confirming the fact that the hesitant recovery in the summer months did not lead to a concomitant recovery in connectivity.

Total en-route traffic service units (**)	2020	2019	CHANGE no.	CHANGE %
France	**8,547,246**	21,782,108	(13,234,862)	-60.8%
Germany	**6,886,812**	15,180,482	(8,293,670)	-54.6%
Great Britain	**5,099,179**	12,593,899	(7,494,720)	-59.5%
Spain	**4,436,942**	11,488,296	(7,051,354)	-61.4%
Italy (***)	**3,989,844**	10,045,778	(6,055,934)	-60.3%
EUROCONTROL	**65,015,052**	**154,260,600**	**(89,245,548)**	**-57.9%**

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

EN-ROUTE TRAFFIC

Total en-route traffic in Italy in 2020 registered a decrease of 60.3% in the number of service units reported by Eurocontrol (the same value if the residual category *Exempt not reported to Eurocontrol* is included) and a decline of 59.3% in the number of flights handled (-58.8% including the residual category *Exempt not reported to Eurocontrol*).

The decisive factor in this decline in air traffic was the outbreak of the COVID-19 pandemic, which had a severe impact on the air transport sector. These exceptional conditions emerged in the early days of March in Italy and were followed by the spread of the health emergency to most other European countries, which are equally important in generating traffic flows in Italian airspace.

Until February 2020, total en-route traffic in Italy had displayed a certain dynamism, achieving gains of 9.8% in terms of service units (SUs) and 4.9% in the number of flights handled in the comparison between January-February 2020 and January-February 2019, thanks mainly to overflight traffic, which benefitted from the consolidation of the Free Route project. The results for the second quarter of 2020, with a decline of 89.2% in terms of service units, the third quarter (-61.1%) and the fourth quarter (-62.9%), demonstrate that traffic volumes in national airspace were initially close to zero during the months of the initial peak of the pandemic, before partially reviving as the restrictions imposed in response to the health emergency were eased during the summer and then deteriorating again in the wake of the second wave and the consequent restrictions adopted by individual countries to contain COVID-19, with negative repercussions on national air traffic.

En-route traffic (number of flights)	2020	2019	CHANGE no.	CHANGE %
Domestic	**154,970**	293,753	(138,783)	-47.2%
International	**347,424**	1,008,272	(660,848)	-65.5%
Overflight	**272,719**	674,003	(401,284)	-59.5%
Paying total	**775,113**	**1,976,028**	**(1,200,915)**	**-60.8%**
Military	**32,822**	32,544	278	0.9%
Other exempt	**16,738**	16,625	113	0.7%
Total exempt	**49,560**	**49,169**	**391**	**0.8%**
Total reported by Eurocontrol	**824,673**	**2,025,197**	**(1,200,524)**	**-59.3%**
Exempt not reported to Eurocontrol	**17,654**	20,827	(3,173)	-15.2%
Total	**842,327**	**2,046,024**	**(1,203,697)**	**-58.8%**

En-route traffic (service units)	2020	2019	CHANGE no.	CHANGE %
Domestic	**908,068**	1,770,738	(862,670)	-48.7%
International	**1,336,127**	4,078,394	(2,742,267)	-67.2%
Overflight	**1,618,124**	4,061,356	(2,443,232)	-60.2%
Paying total	**3,862,319**	**9,910,488**	**(6,048,169)**	**-61.0%**
Military	**114,869**	122,763	(7,894)	-6.4%
Other exempt	**12,656**	12,527	129	1.0%
Total exempt	**127,525**	**135,290**	**(7,765)**	**-5.7%**
Total reported by Eurocontrol	**3,989,844**	**10,045,778**	**(6,055,934)**	**-60.3%**
Exempt not reported to Eurocontrol	**2,208**	2,605	(397)	-15.2%
Total	**3,992,052**	**10,048,383**	**(6,056,331)**	**-60.3%**

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

- *international commercial traffic*, the category of flights departing or arriving at an airport in Italy, which in 2020 recorded a decrease, both in terms of service units (-67.2%) and the number of assisted flights (-65.5%), interrupting the steady growth of recent years, which came to a halt in February 2020 owing to the spread of the COVID-19 pandemic. In the fourth quarter of 2020 alone, traffic contracted very sharply, both in terms of service units (-75.0%) and flights handled (-73.7%), confirming this category's status as the most severely affected by the pandemic.

With regard to international traffic by flight distance (short, medium and long-distance flights in national airspace), in 2020 all segments registered decreases in air traffic of more than 60% in terms of service units, both for connections between Italy and the rest of Europe, which represent about 80% of total service units from international traffic, and for those between Italy and Asia and Italy and Africa, which respectively represent 11% and 6% of total service units from international traffic. Connections between Italy and the American continent also declined by more than 78%, although these represent only 4% of total international service units.

- *commercial overflight traffic*, a category that includes flights that only cross through domestic airspace, posted a steep decrease in 2020 in terms of service units (-60.2%) and number of flights handled (-59.5%), after registering an increase of 24.0% in terms of service units in the first two months of 2020 compared with the same period of previous year. This segment, too, was mainly impacted in the second quarter of the year by the effects of the slowdown in air traffic as a result of the health emergency, which emerged in March, with a steep plunge decrease in service units in that quarter (-87.8%) and smaller but still substantial contractions in the third quarter (-66.7% in SUs) and the fourth quarter of 2020 (-61.7% in SUs). In terms of traffic by flight distance, the routes registering the smallest declines in terms of service units were shorter-distance flights (<400 Km), with a decrease of 55.0%, while medium (between 400 and 800 Km) and longer-distance flights (>800 Km in national airspace) experienced decreases of 63.0% and 58.0% respectively.

As regards the main traffic routes, intra-European flights, which represent about 47% of total overflight service units, declined by 65% in terms of service units. Performance was slightly better but still negative for connections between Europe and Africa (-56.0% in SUs) and Europe and Asia (-45.0% in SUs), which represent 24% and 21% of service units from overflights of national airspace. Connections between Europe and the American continent registered a contraction of 64.0%;

- *domestic commercial traffic* in 2020 posted a decrease in service units (-48.7%) and the number of assisted flights (-47.2%). In January-February 2020, this segment of traffic had recorded broadly unchanged volumes (-0.3% in SUs), compared with the same period of 2019 and in the subsequent quarters was less affected by the pandemic than other types of traffic, closing the year with smaller losses that international and overflight traffic. With regard to flights by distance, in 2020 longer-distance flights (>700 km in domestic airspace) that connect the northern and southern parts of the country, representing about 48% of total national domestic service units, registered a decrease of 46.0% in terms of SUs, improving on the performance achieved in the first half, which the decline in service units came to 60.0%. Medium-distance flights, representing about 43% of total domestic service units, which mainly connect the airports of Rome and Naples with destinations in the northern and southern parts of the country, recorded a decrease of 50.0% in terms of service units, an improvement compared with the figure for the first half (-55% in SUs);
- *exempt traffic* is divided into: i) *exempt traffic reported by Eurocontrol*, which decreased by 5.7% in terms of service units and increased slightly (+0.8%) in terms of the number of assisted flights. The developments in this category mainly reflected a decline in military flights of non-EU countries (-14.0% in SUs) and official government flights (-35.0% in SUs), which represent about 90% of exempt traffic; and ii) *exempt traffic not reported to Eurocontrol*, which accounts for only a residual proportion of revenues, posted a decrease of 15.2% in both service units and the number of assisted flights.

  With regard to carriers, the importance of the low-cost airlines was confirmed in 2020. Although they did see operations contract by more than the traditional carriers, four of the top seven airlines by service units generated in domestic airspace were low-cost operators. Given the health emergency, all carriers recorded decreases in traffic, notably Ryanair (-53.6% in SUs), EasyJet (-66.7% in SUs), Wizz Air (-44.5% in SUs) and Volotea (-50.4% in SUs). These companies account for about 30% of total service units generated in 2020. Among traditional airlines, the Middle Eastern carriers retained a large presence, including Turkish Airlines (-57.4% in SUs), Emirates (-61.5% in SUs), Qatar Airways (-34.5% in SUs) and Saudia (-61.3% in SUs). In view of the long distances they fly and the large size of the aircraft they use, these carriers generally generate the largest number of service units per flight. Negative results were also registered by Lufthansa (-70.1% in SUs), Air France (-52.1% in SUs) and British Airways (-45.9% in SUs). Alitalia closed 2020 with a decrease of 60.1% in terms of service units and 61.2% in number of flights handled, representing 10% of total en-route service units.

TERMINAL TRAFFIC

In 2020, terminal traffic reported by Eurocontrol, which includes departing and arriving traffic within 20 km of the runway, contracted in a manner similar to en-route traffic, with a decline of 60.3% in terms of service units and 57.9% in terms of the number of assisted flights.

Terminal traffic (number of flights)	2020	2019	CHANGE no.	%
Domestic				
Chg. Zone 1	**21,367**	49,759	(28,392)	-57.1%
Chg. Zone 2	**32,946**	64,823	(31,877)	-49.2%
Chg. Zone 3	**92,854**	170,642	(77,788)	-45.6%
Total domestic flights	**147,167**	**285,224**	**(138,057)**	**-48.4%**
International				
Chg. Zone 1	**30,117**	105,067	(74,950)	-71.3%
Chg. Zone 2	**69,280**	189,353	(120,073)	-63.4%
Chg. Zone 3	**72,281**	207,020	(134,739)	-65.1%
Total international flights	**171,678**	**501,440**	**(329,762)**	**-65.8%**
Paying total	**318,845**	**786,664**	**(467,819)**	**-59.5%**
Exempt				
Chg. Zone 1	**240**	73	167	228.8%
Chg. Zone 2	**1,421**	868	553	63.7%
Chg. Zone 3	**19,259**	19,885	(626)	-3.1%
Total exempt flights	**20,920**	**20,826**	**94**	**0.5%**
Total reported by Eurocontrol	**339,765**	**807,490**	**(467,725)**	**-57.9%**
Exempt not reported to Eurocontrol				
Chg. Zone 1	**0**	2	(2)	n.a.
Chg. Zone 2	**338**	255	83	32.5%
Chg. Zone 3	**10,512**	11,411	(899)	-7.9%
Total aexempt flights not reported to Eurocontrol	**10,850**	**11,668**	**(818)**	**-7.0%**
Total by Charging Zone				
Chg. Zone 1	**51,724**	154,901	(103,177)	-66.6%
Chg. Zone 2	**103,985**	255,299	(151,314)	-59.3%
Chg. Zone 3	**194,906**	408,958	(214,052)	-52.3%
Total	**350,615**	**819,158**	**(468,543)**	**-57.2%**

Terminal traffic (service units)	2020	2019	CHANGE n.	CHANGE %
Domestic				
Chg. Zone 1	**27,347**	62,175	(34,828)	-56.0%
Chg. Zone 2	**39,743**	77,014	(37,271)	-48.4%
Chg. Zone 3	**102,698**	194,273	(91,575)	-47.1%
Total domestic SUs	**169,788**	**333,462**	**(163,674)**	**-49.1%**
International				
Chg. Zone 1	**45,707**	171,323	(125,616)	-73.3%
Chg. Zone 2	**102,314**	267,167	(164,853)	-61.7%
Chg. Zone 3	**77,644**	237,433	(159,789)	-67.3%
Total international SUs	**225,665**	**675,923**	**(450,258)**	**-66.6%**
Paying total	**395,453**	**1,009,385**	**(613,932)**	**-60.8%**
Exempt				
Chg. Zone 1	**330**	132	198	150.0%
Chg. Zone 2	**1,084**	392	692	176.5%
Chg. Zone 3	**7,445**	7,489	(44)	-0.6%
Total exempt SUs	**8,859**	**8,013**	**846**	**10.6%**
Total reported by Eurocontrol	**404,312**	**1,017,398**	**(613,086)**	**-60.3%**
Exempt not reported to Eurocontrol				
Chg. Zone 1	**0**	0	0	0.0%
Chg. Zone 2	**28**	21	7	33.3%
Chg. Zone 3	**754**	912	(158)	-17.3%
Total exempt SUs not reported to Eurocontrol	**782**	**933**	**(151)**	**-16.2%**
Total by Charging Zone				
Chg. Zone 1	**73,384**	233,630	(160,246)	-68.6%
Chg. Zone 2	**143,169**	344,594	(201,425)	-58.5%
Chg. Zone 3	**188,541**	440,107	(251,566)	-57.2%
Total	**405,094**	**1,018,331**	**(613,237)**	**-60.2%**

Overall, the performance for the 2020 compared with the same period of the previous year shows a general decline in all three charging zones, both in terms of service units and the number of assisted flights, reflecting the health emergency, which also led to the closure of air traffic at many Italian airports in certain months of the year. More specifically:

- Charging Zone 1, represented by Rome Fiumicino airport, experienced a decrease in traffic in 2020 of 68.6% in terms of service units and 66.6% in the number of flights handled, with decreases in all components of air traffic, whether international (-73.3% in SUs) or domestic (-56.0% in SUs). The Roman airport had already seen a slowdown in flight activity in the first two months of the year, noted earlier, owing to a decline in the operations of a number of carriers such as Ryanair, Vueling, EasyJet and Alitalia. The charging zone was especially affected by Alitalia flight operations, which account for about 49% of total service units at the airport;
- Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted a decrease for the year in terms of service units (-58.5%) and in flights handled (-59.3%), affecting all airports in this charging zone, with drops of 56.2% in service units at Milan Malpensa, 59.1% at Bergamo Orio al Serio, 55.7% at Milan Linate and 66.2% at Venice Tessera. In the first two months of 2020, Charging Zone 2 had posted gains (+3.3% in SUs) thanks to the performance of Milan Malpensa and Bergamo Orio al Serio, while in the subsequent months it experienced a decline in traffic, with the largest decrease coming in international traffic (-61.7% in SUs) rather than domestic traffic (-48.4% in SUs);
- Charging Zone 3, which includes all other Italian airports, registered decreases both in terms of service units (-57.2%) and number of flights handled (-52.3%). In the first two months of the year, the charging zone had registered gains (+2.7% in SUs) thanks to the good performance of the main airports in this zone. Nevertheless, at the end of 2020, all airports reported declines in traffic, with smaller decreases for the airports of Catania (-53.9% in SUs), Palermo (-49.3% in SUs) and Cagliari (-46.4% in SUs) and larger contractions for Bologna (-60.9% in SUs) and Naples (-65.4% in SUs), which have a larger proportion of international traffic than the other airports. International flights in this charging zone again performed worse (-67.3% in SUs) than domestic flights (-47.1% in SUs).

As for the various traffic components, as already noted for en-route traffic, the health emergency generated larger contractions for *international traffic* (-66.6% in SUs) than for *domestic traffic* (-49.1% in SUs). By contrast, in January-February 2020 international traffic had registered an increase (+1.9% in SUs), while domestic traffic had posted a small decline (-2.8% in SUs) compared with the same period of the previous year.

Safety and capacity indicators

SAFETY

The European Commission has included safety among the key performance areas, defining specific objectives to be achieved in the various reference periods of the Performance Plan. These key performance indicators for safety are monitored on an annual basis both internally, by the Safety unit, and externally by ENAC, as the National Supervisory Authority, and by the European Commission which, through the Performance Review Body (PRB), conducts an overall assessment of the Performance Plan and, therefore, safety performance.

At present, the process of monitoring and assessing safety performance has been completed and published for performance in 2015-2019 (the second reference period), while for 2020 and the third reference period in general (2020-2024), the performance indicators and the method for evaluating them have been developed but the safety performance targets have not yet been established. Owing to the COVID-19 emergency, work on the specification of those targets will be completed by the end of 2021.

With regard to the safety performance in 2019, the assessment of which was conducted in 2020, the following results broken down by key performance indicator were achieved.

- **Effectiveness of Safety Management** (EoSM) measures the effectiveness of ENAV's Safety Management System. The indicator is determined by specified management objectives, with a scale of increasing values, from A to E, defining the level of implementation, maturity and effectiveness of the Safety Management System (SMS). The target to be achieved by 2019 was level C for the safety culture management objective and level D for all other management objectives.

  The values achieved by ENAV for this specific objective are equal to the specified targets.

Management Objectives	2019 Results	Minimum Target 2019	2018 Results
Safety Culture	**C**	C	C
Safety Policy and Objectives	**D**	D	C
Safety Risk Management	**D**	D	C
Safety Assurance	**D**	D	D
Safety Promotion	**D**	D	D

- **Level of application of the Risk Analysis Tool (RAT),** an indicator that measures the percentage of application of the Eurocontrol Risk Analysis Tool for the classification of the severity of major safety events with Air Traffic Management (ATM) involvement for**:**
  - a. separation minima infringements SMI;
  - b. runway incursions RIN;
  - c. technical events that cause a degradation and/or interruption of a service and/or a function instrumental to air traffic management (ATM Specific Occurrence - ASO).

The objective defined at the European level and implemented by ENAV under the Blue Med FAB Performance Plan called for achievement of a RAT Application of 80% for 2017 and 2018 and 100% from 2019.
The values achieved for this specific safety area indicator are equal to the specified targets.

Safety Occurrence	2019 Results	Minimum Target 2019	2018 Results
Analysis of ATM contribution to SMI	**100%**	100%	99%
Analysis of ATM contribution to RIN	**100%**	100%	100%
ASO analysis	**100%**	100%	100%

- **Level of presence/absence of a just culture,** an indicator that measures the presence or absence of "just culture" principles on the basis of the percentage of positive answers to the questions of a specific questionnaire created by the European Aviation Safety Agency for the European Commission. The minimum target for 2019 was 50% positive responses. ENAV easily complied with the target, achieving 87.5% positive replies.

CAPACITY

In providing its maximum contribution to the safety of operating activities, the Parent Company considers the quality of the services it provides, of which on-time flight performance is an important part, to be a primary objective.
Beginning at the end of February 2020, in reflection of the spread of the COVID-19 pandemic and the consequent adverse effects this had on air traffic, ENAV has experienced a significant reduction in the number of flights assisted, going from 1.83 million IFR (Instrument Flight Rules) flights handled in 2019, which followed GAT (General Aviation Traffic) rules, to about 724 thousand flights in 2020, a reduction of 60.5%. As regards on-time performance, en-route flight generated only 5,147 minutes of delay attributable to Air Traffic Flow Management (ATFM), compared with 38,383 minutes of ATFM delay in 2019. As a result, the key performance indicator of an average en-route delay per assisted flight was 0.007 minutes/flight (0.021 minutes/flight in 2019). This is about thirty-five times lower than the target set by the European Commission for 2020 (0.25 minutes/flight).
The strong qualitative performance of the Parent Company in 2020 was not automatic. In fact, comparing this result with that of the top 5 European ANSPs, not all of them achieved the goal. ENAV's performance, albeit in a profoundly anomalous operating environment, nevertheless ensured maximum flexibility for airlines that fly in Italian airspace. Based on data drawn from sector studies, which puts the average cost to carriers at €102 for each minute of ATFM delay, the improvement in punctuality enabled by ENAV compared with the target proposed translates into significant savings for carriers.
The following table shows a comparison between the targets indicated in the Performance Plan and results achieved in 2020.

CAPACITY EN-ROUTE - TARGETS VS ACTUAL PERFORMANCE 2020

	IFR/GAT Flights 724,145	En-route Service Unit 3,989,844
	Performance Plan target	**Actual performance**
En-route ATFM Delay per Flight	0.25	0.007
En-route ATFM Minutes of Delay (Min)	181,036	5,147

Even with regard to delays incurred by arriving flights (so-called airport capacity), measured at the five airports covered by the Performance Plan (Rome Fiumicino, Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio), Italy diverged from the previous Performance Plan in not defining and monitoring the additional "due to ATM" (i.e. attributable to ENAV) indicator in the new plan, seeking to comply solely with the mandatory key performance indicator "Terminal arrival ATFM delay", which includes all reasons for airport ATFM delay, including those not dependent on ATM services. For this latter key indicator, the target proposed in the Performance Plan was 0.41 minutes/flight, while the value achieved at the end of 2020 was 0.043 minutes/flight, i.e. about one tenth the target level.

Although not relevant for the purposes of the Performance Plan, the level of the same indicator for ATM delays attributable to ENAV only was 0.004 minutes per assisted flight.

CAPACITY TERMINAL - TARGETS VS ACTUAL PERFORMANCE 2020

	Performance Plan target	Actual performance
Terminal Arrival ATFM	no more than 0.41 (minute per assisted flight)	0.043

Performance and financial position of the ENAV Group

Definition of alternative performance measures

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

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

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

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

Changes in the scope of consolidation

In the 2020 financial year, the scope of consolidation was modified with the acquisition by the Parent Company of 100% of the non-operational company ENAV España Control Aereo SLU, with effect from 2 January 2020, to order to participate in a tender launched by the Spanish airport operator. Not having been awarded the contract in that tender, the company was placed in liquidation and definitively liquidated on 1 March 2021.

The impact of COVID-19

In compliance with the recommendations issued by ESMA on 28 October 2020 and referred to by CONSOB on 16 February 2021 regarding the impact of the COVID-19 pandemic on performance, this section provides a unified report on the effects of the emergency, with a comparison with the corresponding period of the previous year.
The impact on performance in 2020 for the ENAV Group was reflected in a reduction in revenue from the Parent Company's core business, due to the contraction in operations in the air transport sector, which involved a concomitant reduction in services in respect of Eurocontrol, beginning in March 2020, a period in which the COVID-19 emergency was affecting both Italy and most of the other European countries that generate the largest volume of traffic flows in national airspace. The contraction in these operations led to a reduction in service units of 60.3% for en-route traffic and 60.2% for terminal traffic compared with 2019. These reductions decreased revenue from charges by a total of €607.3 million compared with 2019, of which €458 million in respect of en-route traffic and €149.3 million for terminal traffic, partially recouped through balance revenue, which limited the decline in 2020 to 14.9%, but with an adverse impact on cash flows. Business also slowed on the non-regulated market, owing to restrictions on movement and cost containment measures taken by service providers and civil aviation authorities, which meant that progress was only made on order for which an on-site presence was not necessary. In response to the impact of the health emergency on the air transport sector, the European Commission issued a new Regulation that essentially revises the charging mechanism for the 2020-2021 period with the introduction of a series of extraordinary measures to support the air transport industry and airlines in particular, with an impact on the measurement of balances and their recovery in subsequent years, without prejudice to the contractual right to receive revenues on the basis of services rendered. Compared with previous criteria, this new method reduced the value of balances associated with the decline in traffic in 2020. Please see section 5 "Use of estimates and management judgements" in the notes to the consolidated financial statements for more information on the new European rules.
With regard to operating costs, given the reduction in air traffic control operations and the use of flexible working, the variable component of personnel costs and other operating costs declined by 7.3% and 5.1%, respectively, despite the presence of the costs of the subsidiary IDS AirNav, which in 2019 was included in the scope of consolidation for about six months only, and the costs incurred to safeguard the health of Group's employees, consisting in the purchase of personal protective equipment, the cost of sanitising the workplace and donations to support efforts to contain COVID-19.
All of this had an impact on the gross operating margin (EBITDA), which amounted to €210.8 million (-30.4% compared with 2019). Another factor was an increase in writedowns of trade receivables recognised to take account of the change in risk levels in the air transport sector and the expectation of a possible deterioration in collections on receivables, producing a decrease of 58.3% in the net operating margin (EBIT) compared with the corresponding period of the previous year.

In 2020, the Group was able to benefit from only some of the measures issued during the period, as it did not meet the established eligibility criteria. More specifically, it made use of the tax credit for a percentage of the costs incurred for the acquisition of personal protective equipment, while a number of Group companies were able to benefit from the exemption in the payment of the balance for 2019 and first payment on account for 2020 of IRAP (regional business tax), pursuant to the provisions of Decree Law 34 of 19 May 2020.

Reclassified consolidated income statement

The overall performance of the ENAV Group in 2020 was affected by the crisis associated with the COVID-19 pandemic, which produced a sharp contraction in the activities of the air transport sector, only part of which was recouped in the summer. Compared with 2019, en-route service units declined by 60.3% and terminal service units by 60.2%. These reductions had an impact in terms of a reduction of 65.1% in revenues from the core business, which was partially offset by revenue from balances, which made it possible to limit the decline in revenues in 2020 to 14.6% compared with the previous year. The volume of balances incorporates the impact of the provisions of Regulation (EU) 2020/1627 of 3 November 2020 issued by the European Commission to cover the 2020-2021 period, and the initial indications of the Commission concerning efficiency targets to be applied to determined costs. The measures adopted in recent months in response to the health emergency made it possible to reduce operating costs by 6.6% despite the inclusion of IDS AirNav's costs for the entire year, enabling the Group to close 2020 with a profit pertaining to the shareholders of the Parent Company of €54.3 million, down 54.2% compared with 2019.

	2020	2019	CHANGE no.	%
Revenues from operations	**352,216**	951,767	(599,551)	-63.0%
Balance	**383,378**	(86,975)	470,353	n.a.
Other operating income	**35,701**	38,099	(2,398)	-6.3%
Total revenues	**771,295**	**902,891**	**(131,596)**	**-14.6%**
Personnel costs	**(460,957)**	(497,118)	36,161	-7.3%
Capitalised costs	**27,727**	31,262	(3,535)	-11.3%
Other operating expenses	**(127,280)**	(134,164)	6,884	-5.1%
Total operating costs	**(560,510)**	**(600,020)**	**39,510**	**-6.6%**
EBITDA	**210,785**	**302,871**	**(92,086)**	**-30.4%**
EBITDA margin	**27.3%**	**33.5%**	**-6.2%**	
Net amortisation of investment grants	**(128,501)**	(130,462)	1,961	-1.5%
Writedowns, impairment (reversal of impairment) and provisions	**(11,160)**	(1,822)	(9,338)	n.a.
EBIT	**71,124**	**170,587**	**(99,463)**	**-58.3%**
EBIT margin	**9.2%**	**18.9%**	**-9.7%**	
Financial income/(expense)	**(6,125)**	(4,618)	(1,507)	32.6%
Income before taxes	**64,999**	**165,969**	**(100,970)**	**-60.8%**
Income taxes	**(11,027)**	(47,700)	36,673	-76.9%
Profit (loss) for the year	**53,972**	**118,269**	**(64,297)**	**-54.4%**
Net profit/(loss) pertaining to shareholders of the Parent Company	**54,283**	**118,433**	**(64,150)**	**-54.2%**
Net profit/(loss) pertaining to non-controlling interests	**(311)**	**(164)**	**(147)**	**89.6%**

(thousands of euros)

ANALYSIS OF REVENUES

Revenues from operations amounted to €352.2 million, a decrease of 63.0% compared with the previous year, of which revenues from the Parent Company's core business in the amount of €325.3 million (-65.1% on 2019) and revenues from the Group's operations on the non-regulated market of €26.9 million (+40.3% on 2019), mainly reflecting revenues generated by the subsidiary IDS AirNav, which had an impact for the entire year, compared with about six months in 2019.

Revenues from the core business include en-route revenues of €233.1 million, a decline of 66.2% on the previous year, reflecting the decline in service units generated in 2020 as a result of the COVID-19 pandemic, which led to the suspension of most air traffic within the European Union and elsewhere. The fall in service units came to 60.3% compared with 2019. This factor was compounded by the reduction of 15.3% in the unit rate applied in 2020 (€66.02 in 2020 compared with €77.96 in 2019), while the reduction amounted to 7.4% considering charges net of balances.

Terminal revenues amounted to €81.9 million, a decrease of 64.6% compared with the previous year, due to the decrease in service units posted by the individual airports in the different charging zones as a result of the COVID-19 pandemic. The reduction in service units came to 60.8% overall, compounded by the reduction in unit rates applied in all three charging zones.

In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted a decrease in assisted air traffic, expressed in service units, of 68.7%, with the greatest reductions coming in international air traffic. This factor was accompanied by a decrease of 12.25% in the terminal rate applied in 2020. *Charging Zone 2*, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio registered a decrease in assisted air traffic, expressed in service units, of 58.7% compared with 2019 as a result of the COVID-19 emergency, which even led to temporary closure of the Milan Linate and Bergamo Orio al Serio airports. This was accompanied by a decrease of 15.19% in the terminal rate compared with that applied in 2019. *Charging Zone 3*, which comprises 40 medium- and low-traffic airports recorded a decrease in assisted air traffic, expressed in service units, of 58.2% compared with 2019 due to the health emergency and the closure of a number of airports in certain months of the year and the reduction of 6.3% in the terminal rate levied in 2020 compared with that applied in 2019.

Revenues from the non-regulated market amounted to €26.9 million, an increase of 40.3% on the previous year, mainly reflecting the revenues of the subsidiary IDS AirNav S.r.l., which were included in the total for all of 2020, compared with about six months in 2019. Revenues were generated by the sale of software licenses and the provision of services and maintenance associated with the products sold to various customers around the world, including the creation of the new SEPIA system for the management of aeronautical information to the French air navigation service provider DSNA; the creation of the aeronautical information management system (AIM) for the Civil Aeronautics Administration of Taiwan; services provided to Zambia Airports Corporation for the Aeronautical Message Handling System (AMHS) and the dynamic AIM platform for the new Ndola airport; and the start of work under the contract for the supply of systems for the new Area Control Centre of Tripoli airport, a contract formalised with the Libyan Civil Aviation Authority.

The adjustment component for **balances**, an integral part of revenues from operations made a positive contribution of €383.4 million, partially recouping the decrease in traffic actually registered compared with the forecast figures used in determining the charge for 2020. The value of balances was calculated in accordance with Regulation (EU) 2020/1627 of 3 November 2020 issued by the European Commission, which modifies the existing mechanism based on traffic risk sharing so as to cover actual determined costs for 2019, applying an efficiency gain percentage for 2020-2021. These balances include en-route revenues of €295 million and terminal revenues of €105.5 million, which in addition to recognition in profit or loss (and thus incorporation in unit rates for 2020) of balances recognised in previous years in the positive amount of €8 million, take account of the interest component connected with timing of the recovery of balances recognised in 2020 in rates applied, i.e. as from 2023 over five years. This factor had a negative impact of €20.8 million in the period.

ANALYSIS OF COSTS

Operating costs decreased by 6.6% on 2019 to €560.5 million, reflecting a decrease in both personnel costs of 7.3% and in other operating expenses of 5.1%, despite the presence of the costs of IDS AirNav for all of 2020, compared with about six months in 2019. Capitalized costs on internal projects decreased by 11.3% due to the slowdown in work on investment projects by Techno Sky.

Personnel costs amounted to €460.9 million, a decline of 7.3% on 2019, mainly involving the variable component of remuneration as a result of measures taken in response to the COVID-19 health emergency. More specifically fixed remuneration increased by 1.5%, mainly reflecting the inclusion of the costs of IDS AirNav for the entire year (+1.1%), while the remainder are attributable to the effects of the renewal of the bargaining agreement of the Parent Company, which were triggered in March and December 2019. The effective workforce at the end of 2020 numbered 4,147, down 48 on 2019. The average workforce stood at 4,209, an increase of 61 compared with the previous year as a result of including the workforce of IDS AirNav for the entire year. Variable remuneration decreased by 46.9% due to the measures taken in response to the health emergency, with a decrease in overtime for air traffic controllers and for non-operational personnel as a result of the adoption of flexible working arrangements, on the one hand, and greater use of holiday entitlement, on the other, with the positive effect on financial performance reflecting the increase in the number of days of holiday used by Group personnel compared with 2019, who almost entirely eliminated the backlog of unused holiday time from previous years and made considerable recourse to their entitlement accruing in 2020. Social security contributions decreased by 7.1%, reflecting a decline in remuneration, while other personnel costs rose by 24.2%, mainly due to an increase in termination incentives granted to outgoing personnel and an increase health insurance costs for employees.

Other operating expenses decreased by a net 5.1% compared with 2019, with a general decline in the various costs categories, including: i) a reduction in costs for the purchase of goods (-21.4%) referring to spare parts and materials necessary for the restructuring and modernisation of airport sites as a result of the postponement of some activities due to the health emergency, partly offset by higher costs incurred for the purchase of COVID-19 personal protective equipment; ii) a reduction of 13.9% in costs for utilities and telecommunications due to a decline in costs associated with data connections of the ENET1 network as a result of the decommissioning of older circuits and the lower costs associated with the new contract, as well as a reduction in electricity consumption around the country due to closure of a number of airports and the adoption of flexible working arrangements; iii) a reduction in costs for employee business travel as a result of the health emergency (-38.3%). These reductions were partially offset by higher costs for sanitisation efforts at all facilities since the start of the health emergency, an increase in costs for professional services in connection with marketing projects and R&D of the IDS AirNav subsidiary and donations to the Lazzaro Spallanzani National Institute for Infectious Diseases and the Civil Protection Department in the fight against COVID-19.

MARGINS

These developments produced **EBITDA** of €210.8 million, down 30.4% on 2019.

Depreciation and amortisation, net of investment grants, decreased by 1.5%, reflecting a decline in depreciation and amortisation during the year, while writedowns and provisions increased by a total of €9.4 million. Of the rise, €4.2 million was attributable to writedowns of property, plant and equipment, mainly concerning the residual value of illuminated visual aid systems that on 30 November 2020, in conjunction with publication in the Official Journal of the decree of the Ministry for the Economy and Finance, were returned to the State as no longer instrumental to ENAV's institutional purposes for subsequent reassignment to ENAC and assignment under a concession arrangement with the airport operator. Writedowns of receivables amounted to €6.2 million, reflecting the insolvency of a number of Italian and European air carriers and the effects of the updating of the valuation model used to assess the recoverability of receivables to take account of the deterioration of the creditworthiness of a basket of companies representing the air transport sector. These developments impacted **EBIT**, which came to €71.1 million, a decrease of 58.3% compared with the previous year.

Financial income and expense show net expense of €6.1 million, up €1.5 million on 2019, reflecting both a decrease in financial income from the discounting of receivables and an increase in financial expense from discounting and from exchange losses.

Income taxes for the year amounted to €11 million, a decrease of 76.9% compared with the previous year, reflecting lower taxable income, deferred tax assets recognised as a result of the discounting of balance receivables and the tax loss of Enav North Atlantic. The IRES tax rate was 27.6%, an increase over the theoretical rate of 24% due to the presence of non-deductible items.

Net profit for the year attributable to the shareholders of the Parent Company amounted to €54.3 million, a decrease of 54.2% compared with 2019, reflecting effects of the COVID-19 pandemic. The net loss attributable to non-controlling interests was €0.3 million.

Reclassified statement of financial position

	31.12.2020	31.12.2019	CHANGE no.	CHANGE %
Property, plant and equipment	**922,623**	976,272	(53,649)	-5.5%
Right-of-use assets	**6,910**	8,857	(1,947)	-22.0%
Intangible assets	**175,629**	171,567	4,062	2.4%
Investments in other entities	**50,122**	63,225	(13,103)	-20.7%
Non-current trade receivables and payables	**377,465**	(39,804)	417,269	n.a.
Other non-current assets and liabilities	**(139,434)**	(124,343)	(15,091)	12.1%
Net non-current assets	**1,393,315**	**1,055,774**	**337,541**	**32.0%**
Inventories	**61,561**	60,690	871	1.4%
Trade receivables	**136,582**	213,321	(76,739)	-36.0%
Trade payables	**(149,812)**	(138,754)	(11,058)	8.0%
Other current assets and liabilities	**(88,119)**	(115,855)	27,736	-23.9%
Assets held for sale net of related liabilities	**1,427**	1,402	25	1.8%
Net working capital	**(38,361)**	**20,804**	**(59,165)**	**-284.4%**
Gross capital employed	**1,354,954**	**1,076,578**	**278,376**	**25.9%**
Employee benefit provisions	**(49,943)**	(52,509)	2,566	-4.9%
Provisions for risks and charges	**(3,341)**	(1,778)	(1,563)	87.9%
Deferred tax assets net of liabilities	**20,419**	7,376	13,043	176.8%
Net capital employed	**1,322,089**	**1,029,667**	**292,422**	**28.4%**
Equity pertaining to shareholders of the Parent Company	**1,083,278**	1,153,543	(70,265)	-6.1%
Non-controlling interests	**2,189**	2,500	(311)	-12.4%
Shareholders' equity	**1,085,467**	**1,156,043**	**(70,576)**	**-6.1%**
Net financial debt	**236,622**	(126,376)	362,998	n.a.
Total funding	**1,322,089**	**1,029,667**	**292,422**	**28.4%**

(thousands of euros)

Net capital employed amounted to €1,322.1 million at 31 December 2020, an increase of €292.4 million compared with 31 December 2019. Of the total, 82.1% is funded by consolidated equity and 17.9% by non-controlling interests.

The net non-current assets of the ENAV Group amounted to €1,393.3 million, a net increase of €337.5 million compared with 31 December 2019, mainly reflecting: i) a decrease of €53.6 million in property, plant and equipment as a result of depreciation of assets exceeding investments under construction during the year; ii) a decrease of €13.1 million in the value of investments in other entities, due to the adjustment of the value of the interest in Aireon to its fair value and to developments in the dollar/euro exchange rate; and iii) an increase of €417.3 million in non-current trade receivables and payables following the recognition of receivables and payables for balances that emerged in 2020, which net of interest amounted to €375.3 million. They will be recovered over five years as from 2023. The change was affected by a decline in liabilities for balances, which were reclassified to current liabilities as they will be recovered through adjustments to unit rates and hence through profit or loss in 2021.

Net working capital was a negative €38.4 million, a swing of €59.2 million compared with 31 December 2019. The main changes included: i) a decrease of €76.7 million in trade receivables, regarding: the receivable from Eurocontrol in the amount of €58.1 million as a result of the decline in turnover beginning in March due to the health emergency, which curtailed air transport activities; a decrease of €13.5 million in balance receivables due to the recognition through profit or loss of the portion pertaining to 2020 and included in unit rates for the same period; ii) an increase of €11.1 million in trade payables, mainly attributable to an increase in payables for balances as a result of their reclassification from non-current liabilities as they will be included in rates for 2021; and iii) a decrease of €27.7 million change in net other current liabilities, due to the reclassification from non-current assets of the financial receivable due from Vitrociset connected with the liability for the severance pay of employees working in the business unit transferred to Techno Sky, which falls due at the end of 2021, the reduction of tax liabilities due to the decline in taxation in 2020 and the decrease in amounts due to personnel after the decline in the liability of accrued holiday entitlement not taken by staff during the year, with an additional positive impact on social security contributions.

Net capital employed also reflected the employee benefit provision in the amount of a negative €49.9 million, a decrease of €2.6 million as a result of payments to employees, an increase of €1.6 million in provisions for risks and charges to €3.3 million, reflecting provisions accrued for the year and the amount recognised to support the fight against COVID-19, and net deferred tax assets of €20.4 million, an increase on 31 December 2019 associated with the deferred tax assets recognised in respect of the discounting of balances, of the tax loss of Enav North Atlantic and the reversal to profit or loss of the accrued portion of the deferred taxes that emerged in the allocation of the purchase price of IDS AirNav.

Shareholders' equity amounted to €1,085.5 million, a net decrease of €70.6 million compared with 31 December 2019. Of the total decrease, €113.2 million reflected the payment of dividends, the reduction of €6.7 million in the reserve from the fair value adjustment of the investment in Aireon net of tax effects and the reduction of €5.3 million in the reserve from the translation into euros of the financial statements of foreign subsidiaries. These factors were partly offset by consolidated net profit for 2020 of €54 million.

Net financial debt at 31 December 2020 amounted to €236.6 million, a deterioration of €363 million on 31 December 2019.

	31.12.2020	31.12.2019	CHANGE no.	CHANGE %
Cash and cash equivalents	**316,044**	449,268	(133,224)	-29.7%
Current financial receivables	**0**	24,977	(24,977)	-100.0%
Current financial debt	**(65,382)**	(15,058)	(50,324)	334.2%
Current lease liabilities ex IFRS 16	**(2,134)**	(2,112)	(22)	1.0%
Net current financial position	**248,528**	**457,075**	**(208,547)**	**-45.6%**
Non-current financial receivables	**0**	85	(85)	-100.0%
Non-current financial debt	**(480,081)**	(323,713)	(156,368)	48.3%
Non-current lease liabilities ex IFRS 16	**(5,069)**	(7,071)	2,002	-28.3%
Non-current financial debt	**(485,150)**	**(330,699)**	**(154,451)**	**46.7%**
Net financial debt	**(236,622)**	**126,376**	**(362,998)**	**n.a.**

(thousands of euros)

The negative change of €363 million in the net financial position reflected developments in collections and payments connected with ordinary operations, which generated a negative cash flow, connected with the reduction in receipts from the Parent Company's core business as a result of the contraction in air traffic control operations and the deferral granted to airlines on the collection of receivables for flights in the months from February to May 2020, of which payment for the first month was received in November 2020, while the others will be paid every three months thereafter. Other factors included the payment of dividends in the amount of €113.2 million and the payment to the Italian Air Force of collected terminal receivables pertaining to that institution in the amount of €14.7 million, partly offset by the collection of €8 million in respect of the VAT receivable and projects financed at the European level and the Infrastructure and Transport NOP.

The Group has made greater use of external sources of financing, taking advantage of favourable market conditions to raise funds that can be used in daily operations. The Group has undrawn credit lines at 31 December 2020 in the amount of €292 million.

Consolidated statement of cash flows

	2020	2019	CHANGE
Cash flow generated/(absorbed) by operating activities	**(173,058)**	341,633	(514,691)
Cash flow generated/(absorbed) by investing activities	**(52,248)**	(93,067)	40,819
Cash flow generated/(absorbed) by financing activities	**92,341**	(115,686)	208,027
Cash flow for the year	**(132,965)**	**132,880**	**(265,845)**
Cash and cash equivalents at the beginning of the year	**450,657**	**317,716**	**132,941**
Exchange rate difference on cash	**(273)**	61	(334)
Cash and cash equivalents at end of the year	**317,419**	**450,657**	**(133,238)**
Free cash flow	**(225,306)**	**248,566**	**(473,872)**

(thousands of euros)

Cash flows used in operating activities in 2020 amounted to €173.1 million, a deterioration of €514.7 million compared with the previous year. This swing, which was fully impacted by the effects of the COVID-19 health emergency, reflected the following factors: i) an increase in non-current trade receivables due to the recognition of balances for the year and the reduction in current trade receivables, which mainly regarded the receivable from Eurocontrol as a result of the decline in turnover that began in March 2020 and grew more market in the last two months of the year, which had a total impact of €300.4 million. In 2019, this change generated a €66.1 million decrease in trade receivables due to the reduction in balances recognised through profit or loss in that year; ii) a decrease of €8 million in tax receivables as a result of the collection of the VAT credit for which reimbursement had been requested and in tax payables due to a decline in income taxes for the year compared with 2019, when taxable income was greater; iii) a decrease of €4 million in current liabilities, mainly due to a reduction in en-route and terminal collections in 2020 pertaining to the Italian Air Force and ENAC. In 2019, this item recorded an increase of €11.5 million; iv) a decrease of €44.9 million in current and non-current trade payables, reflecting a decrease in liabilities for balances compared with 2019 and a reduction in trade payables for operating activities and investment, which was attributable to both a decline in invoicing and a reduction in payments made; and v) a decrease of €64.3 million in net profit compared with 2019.

Cash flow used in investing activities in 2020 amounted to €52.2 million, a decrease of €40.8 million compared with 2019, which included the cash flow effects of the acquisition of IDS AirNav completed in July 2019 for a total price of €41.1 million. Capital expenditure for the year totalled €91.5 million, down €24.8 million compared with 2019, due to the slowdown of certain activities in response to the health emergency and the consequent rescheduling of investments. The maturing of a financial investment in two government securities also generated liquidity of €24.9 million.

Cash flow from financing activities amounted to €92.3 million, an improvement of €208 million compared with 2019. The change is mainly linked to the use in August of the third instalment of the 16-year loan obtained from the EIB in the amount of €70 million and the agreement of two ESG Sustainability Linked Term Loans totalling €150 million with a term of three years. Conversely, in addition to the repayment of loans in the amount of €13.5 million, uses of cash also included the payment of the dividend in the amount of €113.2 million, €5.2 million more than dividends paid in 2019.

Free cash flow was a negative €225.3 million, compared with a positive €248.6 million in 2019, reflecting the use of cash for operating and investment activities.

Performance and financial position of ENAV S.p.A.

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

Reclassified income statement

ENAV S.p.A. closed 2020 with a net profit of €43.3 million, a decrease of 61.3% compared with the previous year, when net profit amounted to €111.9 million.

			CHANGE	
	2020	**2019**	**no.**	**%**
Revenues from operations	**329,377**	937,890	(608,513)	-64.9%
Balances	**383,378**	(86,975)	470,353	n.a.
Other operating income	**39,349**	39,838	(489)	-1.2%
Total revenues	**752,104**	**890,753**	**(138,649)**	**-15.6%**
Personnel costs	**(401,380)**	(430,739)	29,359	-6.8%
Capitalised costs	**9,721**	7,783	1,938	24.9%
Other operating expenses	**(178,358)**	(188,809)	10,451	-5.5%
Total operating costs	**(570,017)**	**(611,765)**	**41,748**	**-6.8%**
EBITDA	**182,087**	**278,988**	**(96,901)**	**-34.7%**
EBITDA margin	**24.2%**	**31.3%**	**-7.1%**	
Net amortisation of investment grants	**(126,999)**	(130,609)	3,610	-2.8%
Writedowns, impairment (reversal of impairment) and provisions	**(10,467)**	(1,517)	(8,950)	n.a.
EBIT	**44,621**	**146,862**	**(102,241)**	**-69.6%**
EBIT margin	**5.9%**	**16.5%**	**-10.6%**	
Financial income/(expense)	**7,431**	6,376	1,055	16.5%
Income before taxes	**52,052**	153,238	(101,186)	-66.0%
Income taxes	**(8,710)**	(41,357)	32,647	-78.9%
Profit (loss) for the year	**43,342**	**111,881**	**(68,539)**	**-61.3%**

(thousands of euros)

Revenues from operations amounted to €329.4 million, a decrease of 64.9% compared with the previous year, mainly reflecting a decline in revenues from the core business in 2020 as a result of the COVID-19 pandemic. More specifically, **en-route revenues** amounted to €233.1 million, a decline of 66.2% on the previous year, reflecting the decrease of 60.3% in service units generated in 2020 as a result of the COVID-19 pandemic. This factor was compounded by the reduction of 15.3% in the unit rate applied in 2020, while the reduction amounted to 7.4% considering charges net of balances. **Terminal revenues** amounted to €81.9 million, a decrease of 64.6% compared with the previous year, due to the decrease of 60.8% in service units posted by the individual airports in the different charging zones as a result of the COVID-19 pandemic, compounded by the reduction in unit rates applied in all three charging zones. In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted a decrease in assisted air traffic, expressed in service units, of 68.7%, accompanied by a decrease of 12.25% in the terminal rate applied in 2020. *Charging Zone 2*, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio registered a decrease in assisted air traffic, expressed in service units, of 58.7% compared with 2019 as a result of the COVID-19 emergency, which even led to temporary closure of the Milan Linate and Bergamo Orio al Serio airports. This was accompanied by a decrease of 15.19% in the terminal rate compared with that applied in 2019. *Charging Zone 3*, which comprises 40 medium- and low-traffic airports recorded a decrease in assisted air traffic, expressed in service units, of 58.2% compared with 2019 due to the health emergency and the closure of numerous airports in certain months of the year, while the terminal rate in 2020 decreased by 6.3% on the rate applied in 2019.

Revenues for flights exempt from en-route and terminal rates, the fees for which are borne by the Ministry for the Economy and Finance, amounted to €10.2 million, a decrease of 15.5% compared with 2019, due to the decline in en-route service units and the reduction in unit rates.

Revenues from the non-regulated market amounted to €4.1 million, down 22.9% on the previous year, mainly reflecting the completion of a number of projects on the international market and the suspension of operations as a result of the pandemic.

The adjustment component for balances, an integral part of revenues from operations made a positive contribution of €383.4 million, partially recouping the decrease in traffic actually registered compared with the forecast figures used in determining the charge for 2020. The value of balances was calculated in accordance with Regulation (EU) 2020/1627 of 3 November 2020 issued by the European Commission, which modifies the existing mechanism based on traffic risk sharing so as to cover actual determined costs for 2019, applying an efficiency gain percentage for 2020-2021. These balances include en-route revenues of €295 million and terminal revenues of €105.5 million, which in addition to recognition in profit or loss (and thus incorporation in unit rates for 2020) of balances recognised in previous years in the positive amount of €8 million, take account of the interest component connected with timing of the recovery of balances recognised in 2020 in rates applied, i.e. as from 2023 over five years. This factor, connected with discounting, had a negative impact of €20.8 million in the period.

Operating costs amounted to €570 million, a net decrease of 6.8% on 2019, reflecting a decrease in personnel costs of 6.8% and in other operating expenses of 5.5%, and an increase in capitalised costs of 24.9% as a result of the increase in personnel employed in investment projects in the Technology unit.

Personnel costs amounted to €401.4 million, with an increase of €5.3 million in fixed remuneration as a result of the hiring of 69 former Techno Sky employees by ENAV as part of the reorganisation referred to earlier and the effects of contractually agreed increases in March and December 2019. The average workforce expanded by 54 employees over 2019, while effective workforce rose by 13 employees and at the end of 2020 numbered 3,330. Variable remuneration decreased by 45.7% due to a decrease in overtime for air traffic controllers and for non-operational personnel as well as a decline in holiday entitlement accrued but not used, with the positive impact of

€8.7 million on profit or loss reflecting the almost complete elimination of the backlog of unused holiday time from previous years and considerable recourse to holiday entitlement accruing in 2020. These factors were partially offset an increase in costs for termination incentives granted to outgoing personnel, which involved 30 employees compared with 15 in 2019, and an increase health insurance costs for employees.

Other operating expenses decreased by a net 5.5% compared with 2019, reflecting a reduction in costs for the purchase of spare parts, a reduction in costs for Eurocontrol contributions as a result of the cost containment measures adopted by the agency in the second half of 2020, a reduction of 14% in costs for utilities and telecommunications due to a decline in costs associated with data connections of the E-NET network as a result of the decommissioning of older circuits and the lower costs associated with the new contract, as well as a reduction in electricity consumption around the country, and a reduction in other personnel costs associated with the contraction in business travel as a result of the health emergency. These reductions were partially offset by higher costs for exceptional sanitisation work since the start of the coronavirus emergency the purchase of personal protective equipment and an increase in insurance coverage.

These factors adversely impacted **EBITDA**, producing a decrease of 34.7% compared with 2019, reaching €182.1 million.

EBIT amounted to €44.6 million, a decrease of 69.6% compared with the previous year (€146.9 million). Depreciation and amortisation amounted to €127 million, net of investment grants, while writedowns of property, plant and equipment and receivables and provisions totalled €10.5 million, an increase of €9 million on the previous year. The increase reflects the writedown of the residual value of illuminated visual aid systems that on 30 November 2020 were returned to the State and the writedown of trade receivables in reflection of the insolvency of a number of Italian and European air carriers as a result of the modification of ENAV's valuation model for receivables to take account the deterioration of the creditworthiness of a basket of companies.

Financial income and expense shows net income of €7.4 million, an increase of 16.5% on the previous year, reflecting the dividend of €13.2 million authorised by the shareholders' meeting of the subsidiary Techno Sky called to approve the financial statements for 2019.

Income taxes for the year amounted to €8.7 million, a decrease of 78.9% compared with the previous year, reflecting the decline in taxable income, the tax exemption for 95% of the dividend and the recognition of deferred tax assets on the discounting of receivables for balances. The IRES tax rate was 20.8%, a decrease on the 22.2 % registered in 2019, reflecting an increase in tax deductions.

As a result of the foregoing, net profit for the year came to €43.3 million.

Reclassified statement of financial position

	31.12.2020	31.12.2019	CHANGE no.	CHANGE %
Property, plant and equipment	**941,060**	996,250	(55,190)	-5.5%
Right-of-use assets	**1,901**	2,458	(557)	-22.7%
Intangible assets	**60,749**	58,737	2,012	3.4%
Investments in other entities	**188,248**	188,248	0	0.0%
Non-current trade receivables and payables	**377,675**	(39,630)	417,305	n.a.
Other non-current assets and liabilities	**(140,427)**	(137,043)	(3,384)	2.5%
Net non-current assets	**1,429,206**	**1,069,020**	**360,186**	**33.7%**
Inventories	**61,551**	60,681	870	1.4%
Trade receivables	**121,728**	199,676	(77,948)	-39.0%
Trade payables	**(137,026)**	(129,340)	(7,686)	5.9%
Other current assets and liabilities	**(132,646)**	(147,936)	15,290	-10.3%
Assets held for sale net of related liabilities	**729**	705	24	3.4%
Net working capital	**(85,664)**	**(16,214)**	**(69,450)**	**428.3%**
Gross capital employed	**1,343,542**	**1,052,806**	**290,736**	**27.6%**
Employee benefit provisions	**(35,921)**	(36,584)	663	-1.8%
Provisions for risks and charges	**(3,194)**	(1,778)	(1,416)	79.6%
Deferred tax assets net of liabilities	**12,872**	6,745	6,127	90.8%
Net capital employed	**1,317,299**	**1,021,189**	**296,110**	**29.0%**
Shareholders' equity	**1,073,908**	1,143,172	(69,264)	-6.1%
Net financial debt	**243,391**	(121,983)	365,374	n.a.
Total funding	**1,317,299**	**1,021,189**	**296,110**	**29.0%**

(thousands of euros)

Net capital employed amounted to €1,317.3 million, an increase of €296.1 million compared with 31 December 2019. Of the total, 81.5% is funded by equity and 18.5% by net financial debt.

Net non-current assets amounted to €1,429.2 million, an increase of €360.2 million compared with 31 December 2019, reflecting: i) a decrease of €55.2 million in property, plant and equipment as a result of depreciation of assets exceeding investments under construction during the year; ii) an increase of €417.3 million in non-current trade receivables and payables following the recognition of receivables for balances net of interest and a decline in liabilities for balances reclassified to current liabilities as they will be recovered through adjustments to unit rates in 2021.

Net working capital was a negative €85.7 million, compared with a negative €16.2 million at 31 December 2019. The main changes included: i) a decrease of €77.9 million in trade receivables, reflecting the decline in receivables from Eurocontrol as a result of the decline in turnover due to the health emergency and a decrease in balance receivables due to the recognition through profit or loss of the portion pertaining to 2020 and included in unit rates for the same period; ii) an increase of €7.7 million in trade payables, mainly attributable to payables for balances classified in current liabilities as pertaining to 2021; and iii) a decrease of €15.3 million in net other current liabilities in reflection of an increase in tax receivables as a result of the decline in the tax liability for the year and a reduction in the liability for social security contributions.

Net capital employed also reflected the employee benefit provision in the amount of a negative €35.9 million, which decreased as a result of benefit payments to employees, partly offset by the actuarial loss recognised at 31 December 2020. Other factors were provisions for risks and charges in the amount of €2.3 million, and net deferred tax assets of €12.9 million, up €6.1 million on the previous year as a result of the recognition of deferred tax assets on the discounting of receivables for balances.

Shareholders' equity amounted to €1,073.9 million, a net decrease of €69.3 million compared with 31 December 2019, reflecting €113.2 million in dividend payments, only partly offset by the recognition of net profit for 2020 of €43.3 million.

Net financial debt amounted to €243.4 million, a deterioration of €365.4 million on 31 December 2019, when the net financial position was a positive €122 million.

	31.12.2020	31.12.2019	CHANGE no.	CHANGE %
Cash and cash equivalents	**292,870**	429,914	(137,044)	-31.9%
Current financial receivables	**0**	30,019	(30,019)	-100.0%
Current financial debt	**(65,381)**	(15,058)	(50,323)	n.a.
Current lease liabilities ex IFRS 16	**(873)**	(782)	(91)	11.6%
Net current financial position	**226,616**	**444,093**	**(217,477)**	**-49.0%**
Non-current financial receivables	**11,304**	3,431	7,873	n.a.
Non-current financial debt	**(480,081)**	(323,713)	(156,368)	48.3%
Non-current lease liabilities ex IFRS 16	**(1,230)**	(1,828)	598	-32.7%
Non-current financial debt	**(470,007)**	**(322,110)**	**(147,897)**	**45.9%**
Net financial debt	**(243,391)**	**121,983**	**(365,374)**	**n.a.**

(thousands of euros)

The negative change of €365.4 million in the net financial position reflected developments in collections and payments connected with ordinary operations, which generated a net cash outflow, connected with the reduction in receipts from the core business as a result of the contraction in air traffic control operations and the deferral granted to airlines on the collection of receivables for flights in the months from February to May 2020, of which the payment for the first month was received in November 2020, while the others will be paid every three months thereafter. Other factors included the payment of dividends in the amount of €113.2 million and the payment to the Italian Air Force of collected terminal receivables pertaining to that institution in the amount of €14.7 million, partly offset by the collection of amounts connected with projects financed at the European level and the Infrastructure and Transport NOP.

The Company has undrawn credit lines at 31 December 2020 totalling €273 million.

Statement of cash flows

	2020	2019	CHANGE
Cash flow generated/(absorbed) by operating activities	**(178,346)**	342,028	(520,374)
Cash flow generated/(absorbed) by investing activities	**(48,788)**	(93,067)	44,279
Cash flow generated/(absorbed) by financing activities	**90,090**	(127,253)	217,343
Cash flow for the year	**(137,044)**	**121,708**	**(258,752)**
Cash and cash equivalents at the beginning of the year	**429.914**	**308,206**	**121,708**
Cash and cash equivalents at end of the year	**292,870**	**429,914**	**(137,044)**
Free cash flow	**(227,134)**	**248,961**	**(476,095)**

(thousands of euros)

Cash flows used in operating activities in 2020 amounted to €178.3 million, a deterioration of €520.4 million compared with the previous year. This swing, which was fully impacted by the effects of the COVID-19 health emergency, reflected the following factors: i) an increase in non-current trade receivables due to the recognition of balances for the year and the reduction in current trade receivables, which mainly regarded the receivable from Eurocontrol as a result of the decline in turnover that began in March 2020 and grew more market in the last two months of the year, which had a total impact of €299.2 million. In 2019, this change generated a €72.7 million decrease in trade receivables due to the reduction in balances recognised through profit or loss in that year; ii) an increase in tax receivables as a result of the recognition of receivables in respect to current IRES and IRAP, compared with a decrease in 2019 as a result of the collection of the VAT credit for which reimbursement had been requested; iii) a decrease in current liabilities, mainly due to a reduction in en-route and terminal collections in 2020 pertaining to the Italian Air Force and ENAC. In 2019, this item recorded an increase of €10.7 million; iv) a decrease of €47.9 million in current and non-current trade payables, reflecting a decrease in liabilities for balances compared with 2019 and a reduction in trade payables for operating activities, which was attributable to both a decline in invoicing and a reduction in payments made; and v) a decrease of €68.5 million in net profit compared with 2019.
Cash flow used in investing activities in 2020 amounted to €48.8 million, a decrease of €44.3 million compared with 2019, which included the cash flow effects of the acquisition of IDS AirNav completed in July 2019 for a total price of €41.1 million. Capital expenditure for the year totalled €87.7 million, down €30.1 million compared with 2019, due to the slowdown of certain activities in response to the health emergency and the consequent rescheduling of investments. The maturing of a financial investment in two government securities also generated liquidity of €24.9 million.

Cash flow from financing activities amounted to €90.1 million, an improvement of €217.3 million compared with 2019. The change is mainly linked to the use in August of the third instalment of the 16-year loan obtained from the EIB in the amount of €70 million and the agreement of two ESG Sustainability Linked Term Loans totalling €150 million with a term of three years. Conversely, in addition to the repayment of loans in the amount of €13.5 million, uses of cash also included the payment of the dividend in the amount of €113.2 million, €5.2 million more than dividends paid in 2019.

Free cash flow was a negative €227.1 million, compared with a positive €249 million in 2019, reflecting the use of cash for operating and investment activities.

Human resources

At 31 December 2020 the ENAV Group workforce numbered 4,147 employees, showing a decrease of 48 on 2019. The Group provides flight assistance services, operational system maintenance and AIM software solutions throughout the national territory and is engaged in aeronautical consulting activities in Malaysia.

In response to the COVID-19 pandemic, the ENAV Group has developed a contingency plan to ensure the health of its operational and staff personnel without impacting the continuity of service, creating alternating and interchangeable shifts, which are managed in complete safety. More specifically:

- in February, following the establishment of the first red zones, both individual and organisational risk mitigation measures were implemented promptly, such as the intensification of cleaning services, the limitation of business travel and the suspension of in-person training initiatives;
- on 5 March, in order to limit the number of people working on company premises, additional containment measures were introduced, such as the grant of residual holiday entitlement and time off for previously eliminated holidays, as well as extensive use of flexible working arrangements, which following the lockdown of 9 March reduced the physical presence of workers on the company premises to cases of actual need;
- to ensure the necessary limitation of crowding in the workplace, the presence of employees at the headquarters was monitored on a daily basis to verify compliance with capacity limits;
- in April and May, in consideration of the persistence of the health emergency, employees were asked to use any remaining holiday entitlement from the previous year and begin the use of holidays accruing for 2020;
- to ensure that corporate units maintained their productivity, technical and management solutions were implemented to enable employees to work effectively, assigning Office365 licenses for remote individual work, as well as issuing laptops and ensuring remote access to company systems by completing infomobility systems;
- to support the people of the ENAV Group during the lockdown and thereafter as the health emergency continued, other initiatives included the launch of a portal dedicated to flexible working and the implementation of online information activities in order enable employees to maintain contact with other people. A survey on flexible working helped identify areas for enhancing work performance and new functions for the attendance management system and improving support from the IT help desk;
- personal protective equipment was purchased and all the necessary measures were taken to mitigate the risk of contagion in company premises;
- to ensure that there were no interruptions in flight assistance services and to mitigate the risks of potential transmission of COVID-19 among operating personnel, three isolated teams were organised. They can be re-

placed as an entire unit in the event even a single air traffic controller should fall ill and work fifteen-day shifts. At the end of that period and before the arrival of the new team, workstations in the operations room undergo complete sanitisation, a solution made possible thanks to the placement of operational sectors outside the operations room for the time necessary to complete cleaning operations while maintaining total safety.

Industrial relations

During 2020, discussions with the social partners essentially focused on the issue of the COVID-19 health emergency, flexible working and the geographical mobility of operational staff. In all, 84 meetings were held at the national level and 112 at the local level.
More specifically, numerous meetings were held with the social partners on containing and managing the COVID-19 health emergency, which also led to the integration of flexible working arrangements as an additional tool for managing the employee relationships within the ENAV Group. This approach had already been explored by the Parent Company as a pilot project involving 50 employees in 2019, and can now potentially be extended to all Group personnel, making flexible working an effective solution for reconciling the organisational needs of the Group with those of employees. In this context, on 16 December 2020, all personnel eligible for flexible working were asked to express their explicit interest if they wanted to continue to use this new system permanently, even after what we hope is the approaching end of the health emergency.
Underscoring the interest in this form of work, as at 31 December 2020, more than eight hundred ENAV employees had responded positively.
In handling the COVID-19 emergency, the ongoing management of our activities made it possible to maintain employment and remuneration levels, while at the same time guaranteeing continuity in the delivery of our institutional services by both operational and staff employees.
Other developments in 2020 included addressing operational issues such as the transfer of approach control from radar-equipped towers to the Area Control Centres and the possible implementation of digital towers.
In 2020, the Parent Company was affected by one national strike, for a total of four hours with an average participation rate of 43.7%, and one local strike, for a total of four hours with an average participation rate of 62.75%.
In February 2021, the Parent Company and the trade unions signed an agreement to contain labour costs without having to have recourse to social safety nets, providing for all staff to use all their accrued time off in lieu of previously eliminated holidays and 70% of the holiday entitlement accrued during the year by 30 September 2021.

Training

Operational training activities in 2020 were disrupted as a result of government measures to contain and prevent COVID-19 emergency. Consequently, the training of operating personnel, which is normally conducted primarily in simulators, was performed through distance learning during the period of interruption. This led to an overall reduction of 22.1% in the number of training hours provided by the Training Centre, totalling 72,020 hours for 905 participants in 2020, compared with 91,200 and 1,586 participants in 2019. This reduction was strictly associated with the lockdown and involved certain types of course, including:

- 29,853 hours of ab-initio training for 171 participants (35,512 hours in 2019);
- 30,301 hours of advanced training for 102 participants (13,932 hours in 2019), a significant increase that involved the Area Control Surveillance (ACS), Approach Surveillance (APS) and Terminal Control (TLC) courses;
- 7,486 hours of ongoing training for 659 participants (19,578 hours in 2019);
- 4,380 hours of training for external customers with 55 participants (20,784 hours in 2019).

This was accompanied by 19,800 hours of refresher training via web for 4,331 participants, mainly during the lockdown, in which air traffic controllers (ATC)/flight information service officers (FISO) participated in modules with lengths varying from a minimum of 1 to a maximum of 8 hours for each refresher day, courses that also include human factor training; 3,928 hours of language skills assessment and training for 443 participants and, finally, 255 hours of e-learning training for 198 participants.

In 2020, four integrated ATCO courses were completed for the professional conversion of operational FISO staff into ATCs at low-traffic airports.

With regard to managerial and specialist training, in 2020, training sessions involved a total of 31,041 hours (23,920 hours in 2019) and 5,991 participants in language, management and specialist training initiatives in synchronous learning arrangements (actual classroom and virtual classroom training) and asynchronous sessions (e-learning), thus enabling the continuation of training activities despite the limitations imposed by the pandemic.

Synchronous training initiatives, involving 8,405 hours and 1,452 participants, included the continuation of programmes for unit managers to develop their leadership skills, as well as initiatives to support the new management approaches adopted in response to the health emergency and the widespread use of flexible working. Project management courses and training packages for specialist topics of interest to staff units and indirect operating units continued. Webinars with internal trainers made it possible to reach a large number of people with training programmes concerning company processes.

Asynchronous training, involving 22,636 hours and 4,539 participants, was primarily focused on satisfying mandatory and statutory training requirements, which were also accompanied in 2020 by the use of short multimedia training programmes available for all Group personnel.

Language training was conducted using both synchronous and asynchronous approaches, involving 188 people for a total of 3,604 hours, with activities organised into self-study, individual courses, multimedia courses and thematic workshops.

Finally, 2020 saw an ever greater integration between assessment, development and training processes, enabling more targeted integration of activities to identify and leverage the potential of our people.

Occupational health and safety

As enshrined in its Code of Ethics, the ENAV Group attaches great importance to the physical and moral integrity of its employees, the maintenance of working conditions that respect individual dignity and safe and healthy work environments. The Group therefore pursues the dissemination and consolidation of a solid occupational health and safety culture, developing awareness of risks and promoting responsible behaviour on the part of all personnel.
In 2020, in the wake of the COVID-19 pandemic emergency, the Health, Safety and Environment unit was involved in a range of activities including: continuous monitoring and impact analysis for the Group of national and regional anti-COVID-19 legislation; the preparation and subsequent updating of the documentation produced for all Group companies, such as the *COVID-19 Biological Risk Assessment* and the manual *Helpful Information and COVID-19 Risk Mitigation Measures*; participation in local committees to verify the application of the protocol governing of measures to combat and contain the spread of the COVID-19 virus in the workplace and, in general, provide support to all the Group's central and territorial organisational units in addressing these issues.
During the year, the Occupational Health and Safety Policy was defined and disseminated for each Group company. It is commensurate with our corporate purpose and intended to ensure the continuous improvement of the Group's Occupational Health and Safety Management System, which is compliant with the requirements of the ISO 45001:2018 standard, certified in accordance with the British Standard OHSAS 18001:2007 and defines the general guidelines, requirements and reference documentation necessary to ensure the ongoing improvement of performance and better protection of stakeholder needs and expectations in the occupational health and safety field.
With regard to the analysis of injuries, out of 17 accidents occurring at ENAV, 8 were classified as having occurred during travel to and from work, 7 were attributed to COVID-19 and 2 occurred at work but were not directly attributable to the tasks performed by the workers involved (e.g. slips and falls). For Techno Sky, of 15 injuries, 3 were considered as having occurred in travel to and from work, while those that occurred at work (12) are only partly attributable to the job performed by the worker. The other Group companies did not registered any injuries.
With regard to the obligations deriving from Legislative Decree 152/06 concerning *environmental protection*, work on developing the Group's Environmental Management System continued, with the definition of the main company processes in compliance with the requirements of the UNI ISO 14001 standard and the drafting of the related procedures.
The production and presentation of the reporting envisaged for industrial waste for 2020 were also carried out as planned.
As part of the environmental support activities provided to the operating units, work was completed on the computerised management of records ensuring the traceability of the industrial waste cycle and the related reporting, supporting more efficient implementation of the related regulatory requirements, which will make it possible to provide standardised support for managing industrial waste at Group level.

Investments

Group investments are intended to ensure that the assets supporting domestic air traffic management services: i) are consistent with the required technical, financial and performance objectives; ii) meet the quality and performance standards established domestically and internationally by industry regulatory authorities; iii) are in line with the development of the technological platform and with the new operational concepts defined and developed for the ATM (air traffic management) network at the European level.

Most investments are represented by initiatives involving operational technology infrastructure, because it directly affects core business activities in terms of the efficiency, cost-effectiveness and safety of air traffic management services. Investments are planned on the basis of the long-term investment plan (2018-2022), which is updated when necessary to reprogramme projects to take account of operational requirements that have emerged during the year.

In 2020 consolidated capex amounted to €91.5 million (€116.3 million at 31 December 2019), while that reported in the separate financial statements of ENAV S.p.A. came to €87.7 million (€117.8 million at 31 December 2019).

In the wake of the COVID-19 pandemic, the investment plan was revised to take account of both the difficulties and delays in the various activities attributable to suppliers, in particular abroad, and those connected with the impossibility of travel and the lack of materials, as well as a decrease in the investment requirements of the Parent Company. The pandemic crisis, in fact, prompted a profound revision of expected traffic scenarios, leading ENAV to start, as early as April, a review of the planning of investment spending, revising capacity objectives in line with the other European air navigation service providers.

The main investments under way in 2020 included:

- the continuation of the 4-Flight programme, which is designed to develop the new automation technology platform for Italian Area Control Centres (ACC) and adopt the Coflight system as a basic component;
- the construction of the first Italian Remote Tower, which is intended to enable airport control via cameras from a control room with a 360° view, replacing the traditional room located in a physical control tower;
- the transfer of approach radar control positions from their current dedicated rooms at major airports to the higher-level Area Control Centres;
- the modernisation of airport weather observation systems;
- the construction of the new ENET-2 communication network, which will replace the current ENET network connecting all national operational sites, carrying operational voice, radar data, flight plans, and weather, AIS and plant control data;
- the completion of the new Genoa Technical Area.

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 regulatory framework 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 and reduces the fragmentation of airspace management.
In 2017 the first phase of the project relating to period 2009-2016 (SESAR 1) was concluded, with the Parent Company having played an 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 or SESAR 2, is currently being executed and covers a period of seven years. SESAR 2020 is structured into three activity periods: Wave 1 which covers the first four years (2016-2020), Wave 2 covering the next three (2020-2022) and, in parallel with Wave 2, Wave 3 over the period 2021-2022, completing the budget of European Commission appropriations for SESAR 2020.
For the implementation of the projects, the Parent Company drew on the contribution of a group of national and international partners, so-called Linked Third Parties (LTP), appropriately selected on the basis of dedicated technical-operational agreements, as well as the subsidiaries Techno Sky, IDS AirNav and D-Flight.
Overall, the ENAV Group is participating in 32 SESAR 2020 projects involving issues of the greatest company interest, divided into: Wave 1, which was successfully completed in 2020 with the Parent Company engaged in 16 projects and with more than 20 validations conducted; Wave 2, currently under way, which involves our participation in 12 projects; and Wave 3, which was recently contracted with the participation of the ENAV Group in 4 projects.
Work is also under way to define the new phase of the programme, called SESAR 3, which is expected to start in 2023 and which will see the Group companies once again fully involved in the modernisation of the European ATM system.

SESAR Deployment Manager

The SESAR Deployment Manager (SDM) is a body within the European Commission established to coordinate and synchronise the modernisation of the air traffic management system in Europe. This activity is carried out through the SESAR Deployment Alliance Association Internationale Sans But Lucratif (SDA AISBL), an international non-profit organisation composed of a number of air navigation providers, airline companies and the SDAG (SESAR Related Deployment Airport Operators Grouping), for a total of 19 members, including ENAV.
In accordance with Article 9 of Regulation (EU) 409/2013, the Deployment Manager is responsible for the synchronisation and coordination of the local implementation projects necessary to implement Regulation 716/2017 (the Pilot Common Project PCP) and structure it in the Deployment Programme, which is the reference document for identifying European funding band priorities for the air transport sector.
The SESAR deployment activities, coordinated by the SESAR Deployment Manager and co-financed by the European Commission through the INEA Agency, facilitate the annual updating of the Deployment Programme, in which the Parent Company has a leadership role, in coordination with the other European stakeholders. At the same time, the Parent Company maintains the alignment of the Investment Plan and requirements of the Deployment Programme to ensure the conformity of the implementation methods and timing planned by the Parent Company with the applicable European regulations. Note that with regard to the cofinancing calls drawn on the Connecting European Facilities (CEF), 2020 saw the continuation of projects that have been awarded for the implementation of Regulation 716/2014. The number of projects coordinated by the SDM totals 353, of which more than 155 have

been completed. Once fully complete, they will offer benefits in terms a decrease in operating delays, savings on jet fuel and a reduction in CO_2 emissions with full respect for the environment.

Environment

As part of the initiatives aimed at developing a sustainable business, the ENAV Group has set itself the objective of reducing and enhancing the efficiency of consumption associated with the production of its services and of contributing to the reduction of the environmental impact of air operations. For these reasons, the Group seeks both to reduce the emissions associated with its activities and to contribute, by optimising the infrastructure of air traffic services (ATS), to the reduction of carbon dioxide (CO_2) connected with the operations of airspace users.

Operational measures

In order to foster the sustainable development of air transport, the Parent Company supports airspace users by providing a network and services that enable them to reduce fuel consumption and, therefore, to minimise the associated environmental impact.

With the primary objective of always guaranteeing the highest levels of safety, ENAV, working cooperatively to develop collaborative solutions with stakeholders, plans and implements measures that are intended to ensure the continuous improvement of the ATS network, enabling carriers to select increasingly environmental friendly flight paths, enjoying shorter travel times and reduced constraints on planning and flight operations. All the measures planned and implemented for this purpose are catalogued and monitored periodically in the Flight Efficiency Plan (FEP).

In the annual update of the FEP all operational efficiency initiatives implemented by the Parent Company, in a given period in the various business segments are reported and assessed, including: i) the ground phase, dedicated to speeding up operations and optimising the ground movement of aircraft (start-up and taxi in/out phases); ii) the flight phase, which includes take-off and trajectories for initial climb; iii) the cruise phase (en-route phase); and iv) the terminal phase (arrival), dedicated to the optimisation of approach flight profiles for landing. Given their importance in achieving expected performance in order to meet environmental targets, the progress and effectiveness of the actions implemented in the Flight Efficiency Plan is subject to monitoring and oversight by ENAC. Since 2012, the results of the actions implemented by the EFF are included in Italy's Action Plan on CO_2 Emissions Reduction, which Italy has undertaken to carry out as its contribution to the wider programme for fighting climate change being led in aeronautical sector by ECAC/ICAO.

The extraordinary situation caused by the COVID-19 health emergency affected 2020 around the world, significantly impacting air transport in its entirety. In the first two months of the year, traffic levels were fully in line with the corresponding period of 2019, and the flight planning rules for airspace users (AUs) were consistent with normal operating standards. Beginning in March 2020, air traffic experienced an abrupt deceleration, with a contraction of 60.3% in en-route service units. In reflection of this reduction in traffic and, looking forward, to support the planning of the AUs, the European air navigation service providers, in coordination with the Network Manager, decided to suspend from the last week of March 2020 many of the rules that interact with flight planning. Therefore, the small volume of traffic handled in the second quarter made it possible to activate ad hoc operational measures based on the possibility of optimising the planning of routes through the suspension or reduction of restrictions on availability of the ATS network. The suspension affects the existing limitations on the availability of the ATS network (airspace availability for horizontal trajectories and level capping for vertical profiles) and the restrictions on the permeability of military areas, which are normally used primarily to organise and maintain smooth management of traffic flows both en route and in the terminal areas near the departure and/or destination airports. These ad hoc measures were refined and maintained throughout 2020, and extended until March 2021. In the summer, business, charter and holiday flights began to recover, coinciding with the easing of national and international restrictions on the mobility of people and retail trade.

Following up on actions taken in previous years and supplementing the achievements of the Free Route Airspace Italy Project (FRAIT), which allows freer planning of the flight paths in airspace above 30,500 ft, around 9,000 metres), in 2020 the Parent Company took steps to improve coordination with the Italian Air Force in order to maximise air space availability, to optimise the ATS network in the airspace below the FRAIT area and in the terminal areas and to achieve further performance improvements for operations in the airport movement area.

With regard to the FRAIT airspace, almost 45% of assisted air traffic was able to benefit from a reduction in the total route distance, from the departure airport to the destination airport (gate-to-gate), of about 6.8 million kilometres (equal to 31.2 km per aircraft), producing a consequent overall reduction in CO_2 emissions of about 91 million kg and fuel savings for en-route flight of approximately 28.8 million kg.

Having already removed the constraints imposed under the previous ATS route network and having enabled airspace users to plan/fly directly from a defined entry point to an exit point from the free route airspace, the new measures focused on enhancing the harmonisation of flight profiles for air traffic operating on a number of national and international routes, enabling the reduction of planned/flown distances through advanced coordination with the Italian Air Force, which has improved airspace availability in military areas and, therefore, along the network impacted by these areas with a shared approach to the flexible use of airspace (FUA). The results of these activities can be quantified in a reduction of about 0.45 million kg of fuel, with a consequent reduction of CO_2 emissions of about 1.4 million kg.

Also in 2020, work continued in terminal areas on the programme for the creation of Performance Based Navigation (PBN) instrument flight procedures, implementing procedures that optimise the balancing of flight efficiency with capacity performance and predictability for the airports of Milan Malpensa, Milan Linate, Bergamo Orio al Serio, Palermo, Catania, and Venice. The improvements to the ATS network in the terminal areas for these airports and other airports with lower traffic levels reduced fuel consumption by around 365.5 tonnes, with a corresponding 1.1 million kg reduction of CO_2 emissions.

Finally, the work envisaged in the programme to implement operational processes based on Airport Collaborative Decision Making (A-CDM) continued, creating a coordinated management system for aircraft ground movements at the airports of Rome Fiumicino, Milan Malpensa , Milan Linate, Venice Tessera and Naples Capodichino, with the addition of Bergamo Orio al Serio in December 2020.

Facilities projects

In line with the environmental policies introduced in recent years, the Parent Company is committed to the reduction of energy consumption and to reducing greenhouse gas emissions through the use of plants for the self-production of energy from renewable sources or from less-polluting sources (methane). This is in line with the guidelines of the Kyoto Protocol and the Paris Climate Conference to achieve and additional reduction of polluting emissions, thereby reducing energy costs and benefiting from the incentives of the Electricity Services Operator (GSE).
In compliance with Legislative Decree 102/2014, the Parent Company conducted an energy diagnosis at 24 sites and on the basis of the findings identified opportunities for improvements in energy efficiency. These improvements will be implemented with measures designed to put electricity consumption on a downward trend.
Photovoltaic installations are currently used, some of which benefit from the incentives provided by the GSE. They are located at the Parent Company headquarters, the airports of Bari and Ancona Falconara, the Brindisi Area Control Centre and in the Bitonto radio beacon, while photovoltaic plants are in the process of being activated at the Naples, Genoa and Catania airports, while an additional 4 plants are being designed for ENAV sites in southern Italy.
Furthermore, the modernisation of the internal and external LED lighting system, complete with a demotic command and control system, at the Area Control Centre of Rome was completed and installation of the system at the Padua Area Control Centre and at the Parent Company headquarters also began. Work also began on the construction of a trigeneration plant at the Rome ACC, which will reduce power drawn by the ACCs from the grid by about 36% from current levels, equivalent to a reduction in CO_2 emissions of 590 tonnes per year.
Overall, the measures envisaged in the ten-year Energy Plan will lower the total electricity consumption of the Parent Company by 28%, which will reduce CO_2 emissions by 16%.

International activities

At the international level, despite the fact that the COVID-19 pandemic that began in March 2020 drastically reduced travel and forced changes in how meetings were conducted, the Parent Company continued initiatives to consolidate relations with other Air Navigation Service Providers on both the bilateral level and through alliances and aggregations (such as, for example, the A6 Alliance), as well as with the major international institutions and organisations in the air transport field and, specifically, in air traffic management (ICAO, the European Commission, SESAR Joint Undertaking, SESAR Deployment Manager, EASA, CANSO, EUROCONTROL and EUROCAE being among the main such organisations).
In addition, activities were pursued within European institutions, with particular regard to certain key regulatory issues involving the aviation sector and the Parent Company, of which the most relevant are reported below:

- in September, the European Commission issued a proposal for two new Regulations that modify the regulatory framework of the Single European Sky. The initiative has a direct impact on the activities of the ENAV Group, both as regards the core business and the non-regulated third market, as well as for the broader strategy of the Company and its positioning at the national and international levels. For this reason, various activities were carried out during the year that saw developments both internationally and nationally and will probably continue in subsequent years;

- EASA issued an Opinion concerning a proposal for a new regulatory framework for the set of services for the management of drone air traffic (U-Space), a sector in which the ENAV Group, together with national supervisory authorities and Italian industry, are acting as drivers at the European and international levels as well, being involved through the subsidiary D-Flight, which supplies U-Space services. The EASA proposal was the focus of a debate that involved institutions and actors at both the European and national levels, with activities to continue in 2021;
- the approval of a new Regulation called Common Project One, which defines the implementation priorities of the ATM sector in Europe and seeks to ensure timely and synchronised implementation to support the roll-out of the European Air Traffic Management Master Plan.

In addition, activities concerning the updating of a number of Regulations relevant to air navigation service providers involved:

- Regulation (EU) 2017/373 laying down common requirements, on the basis of which the Parent Company is certified by ENAC for the provision of air navigation services;
- Regulation (EU) 923/2012 laying down standardised European rules of the air (SERA) on the basis of which air traffic services are provided.

Among European initiatives, the Parent Company was directly involved in the research and development activities being conducted under the aegis of the SESAR (Single European Sky ATM Research) programme, in particular:

- activities continued within the SESAR Joint Undertaking, which brings together all the players in the sector, and in October the interest in participating in SESAR 3 was confirmed, the programme for which will cover the 2021-2027 period;
- an agreement was signed between airlines, airports, the main suppliers of air navigation services and the Network Manager to create the body responsible for the coordination and synchronisation activities of the Deployment Program (DP), the implementation programme for achieving the SESAR objectives of the SESAR Deployment Manager projects;
- as part of exploratory research activities, ENAV joined the ECHO (European concept for higher airspace operations) project, which seeks to define the operational concepts of operations in the so-called higher airspace, i.e. that above the flight levels where conventional air traffic operates. The project closely involves national actors such as the Italian Aerospace Research Centre (CIRA) and the Italian Civil Aviation Authority (ENAC), given the presence of a spaceport in Italy at the Taranto-Grottaglie airport.

Commercial operations

In 2020 the ENAV Group generated revenues from the sale of systems and services on the non-regulated market of €26.9 million, an increase of 40.3% compared with the previous year, reflecting the revenues contributed by IDS AirNav, which was consolidated for all of 2020 compared with just six months in 2019. During the year, a number of contracts were acquired by the Group despite the health emergency, which partly delayed activities due to the restrictions on travel. Various orders were acquired by the Parent Company for flight inspection activities for civil aviation in Uganda, for the Croatian service provider and in Romania for a total of €1.5 million. In addition, a contract for the design of flight procedures for helicopters and various contracts for aeronautical consulting services were formalised. Finally, as part of the agreement between the Parent Company and the French air navigation service provider DSNA, called Coflight Cloud Services (CCS), an order worth €2.8 million was signed to continue implementation of the system.

IDS AirNav acquired a number of orders, including a contract with DSNA that envisages four years of project and four years of maintenance for a total value of €15 million: an initial order of €2.6 million was activated under the contract in 2020. The subsidiary also acquired a maintenance and updating contract for Aeronautical Information Management (AIM) systems with the German provider DFS with a value of €2.2 million. During the year, it also won a number of tenders for the supply of AIM systems, including one with the Romanian provider and the civil aviation authority, for a total of €4 million.

Techno Sky received four orders totalling €12.2 million from the Libyan Civil Aviation Authority for the supply of Air Traffic Management (ATM) systems and a €1.6 million order from the Italian Air Force for the modernisation of the ATM system of the Decimomannu airport.

ENAV Asia Pacific won a tender in Taiwan for the supply of aeronautical consulting services worth €0.3 million.

Other information

2020 – 2024 Performance Plan

The conditions generated by the pandemic prompted the EU institutions to think hard about developing potential incentive systems and mechanisms for the air transport sector, with the intention of financially supporting all players in the industry. With this aim in mind, and following an initial response that included giving airlines more time to pay fees for air navigation services, in November the European Commission issued a new Regulation on the performance and charging scheme (2020/1627), which, for the 2020-2024 reference period, provides for the establishment of new cost efficiency targets and sets a new timetable for the preparation and presentation of Performance Plans. The same Regulation, in temporarily suspending the ordinary performance scheme provided for under Regulation 2019/317, modifies the mechanism for measuring balance revenues for 2020-2021 for European air navigation service providers. The new mechanism, which suspends the existing traffic risk system and the service quality bonus, establishes that the value of the balance for the year shall be determined on the basis of recovery of the provider's costs for air traffic services. It also envisages that these costs shall be subject to specific efficiency targets. As for the new performance targets, the European Commission is expected to issue new targets for the entire third reference period (2020-2024) by May 2021. Following publication of the targets, air navigation service providers and the member states will have to prepare their new Performance Plans, which must be sent to the Commission by October 2021. The European providers will have to plan their cost and traffic levels in line with the new performance targets in order to determine unit rates for the 2022-2024 period.

For the purposes of the publication of the official performance targets in May 2021, in early March 2021 the Performance Review Body (PRB) officially transmitted its preliminary proposal on the maximum efficiency levels expected for RP3 to the European Commission. The initial proposal advanced by the European Commission and the PRB envisaged a reduction in 2020 in determined costs at the European level of 10% in real terms compared with the outturn for 2019. This proposal is currently being assessed by the national authorities and the service providers and is being negotiated with the EU regulator. Following this discussion and negotiation phase, during which the PRB and the Commission will also be called upon to evaluate any counter-proposals by the end of May 2021, when the definitive targets should be published.

In relation to the above issues, note that the Parent Company's business model is essentially framed within EU performance and charging regulations, from which almost all the revenues of the ENAV Group are generated. Within this framework of regulations, principles and guidelines issued by the European Union, the Parent Company is required to determine its rates for air navigation services, as well as define financial and operational performance for the reference periods, which will then become part of the Performance Plan. Subject to assessment by the national regulator, and a compliance decision by the European Commission, the Performance Plan, once approved, becomes the reference document for the Company for the entire reference period and at the same time represents an effective tool for determining the expected financial performance for the period covered by the plan.

European regulations contain safeguards for service providers, as while rates are set for a period of five years without being able to predict certain events impacting the sector, such as the pandemic, it is possible to recover lower-than-planned revenues from services through balances incorporated in rates.

Programme contract

For the purposes of preparing the text and subsequent signing of the 2020-2024 programme contract, during the year the technical units of the Company collaborated with the relevant national institutions (ENAC, MEF, Ministry of Sustainable Infrastructure and Mobility, Italian Air Force) on updating the draft Programme Contract and at the same time adapting the associated technical annexes. Among the most important changes, the Programme Contract has incorporated the regulatory measures introduced with Regulation 2020/1627, which, in the wake of the COVID-19 pandemic, temporarily modified at the EU level – the performance and charging scheme for the years 2020 and 2021 and suspended the service quality bonus for achievement of the service capacity targets. The contract also incorporated the new timetable delineated in the new regulatory framework, both with regard to the expected issuance of the new performance targets for 2020-2024 by the European Commission and the procedures for preparing the new national Performance Plan. The Programme Contract also establishes the service levels for each individual airport for the period covered by the contract regarding airport opening/closing schedules and the type of service offered by them. A first draft of the contract, as revised in agreement with ENAC, and the set of technical annexes were then sent to the contract signatories for preliminary evaluation and discussion.

Unmanned Aerial Vehicles Traffic Management

The ENAV Group operates in the field of Unmanned Aerial Vehicles Traffic Management (UTM) through the company D-Flight, 60% owned by ENAV and 40% by UTM System & Services S.r.l, which is in turn held by Leonardo S.p.A. and Telespazio S.p.A. D-Flight has developed technological and operational solutions to ensure the safe operation of drone traffic at low altitudes and supplies innovative services to meet the needs of the market.
The Parent Company and D-Flight collaborate with leading national and international stakeholders to further develop innovative drone traffic management capabilities, through conceptualisation, testing and demonstration activities and in research projects that have made it possible to develop solutions that have reached the operational stage.
On the regulatory level, on December 31, 2020 the new EU drone regulations 2019/945 and 2019/947 came into force, transferring supervision much of the regulatory framework to the European Union Aviation Safety Agency (EASA), harmonising regulations for the entire European Union, voiding national regulations and abolishing the distinction between recreational and professional use of drones. Following the entry into force of the European regulations, ENAC updated national regulations with the issue of a new regulation denominated UAS-IT (Unmanned Aircraft Systems), which is based on European legislation. In essence, many articles require the intervention of the Member States and their competent authorities to establish the operating procedures, such as for example those for the registration of UAS operators, for the use of aeronautical geography that indicates where it is possible to fly drones and where it not is allowed and under what conditions. In the national regulations, D-Flight is indicated as the portal available to UAS operators for registration, declarations, geo-awareness, remote identification and publication of information relating to geographical areas.
In 2020, 24,000 drones were registered on the D-Flight platform, a tool for recording, cartography and issuing authorisations, of which 82% for recreational use and 18% for professional use.

ENAV Group certifications

In 2020 the Parent Company was again monitored by ENAC to verify ongoing compliance with the requirements for the provision of air navigation services set out in Regulation (EU) No. 2017/373 and to operate as a training organisation for air traffic controllers, persons providing aeronautical information services and personnel providing meteorological services for air navigation pursuant to Regulation (EU) 2015/340 and the ENAC Regulations *License to provide Aeronautical Flight Information Services* and *Requirements for personnel providing meteorological services for air navigation.* ENAC's oversight activities also regarded verifying ongoing compliance with the requirements set out in ENAC Regulation *Instrument Flight Procedures* to operate as an instrument flight procedure design organisation.
ENAC conducted audits at both the ENAV local facilities and ENAV headquarters, including:

- 16 audits to check ongoing compliance with the requirements for operating as a provider of air navigation services;
- 4 audits to check ongoing compliance with the requirements for operating as a training organisation;
- 2 audits to check ongoing compliance with the requirements for operating as an instrument flight procedure design organisation.

With regard to the certification of ENAV Group corporate management systems, in December 2020 the international certification body DNV GL – Business Assurance successfully concluded its second audit of continued compliance with certification requirements for:

- the conformity certificates in accordance with UNI EN ISO 9001:2015 of the ENAV Group (ENAV and Techno Sky);
- the conformity certificate in accordance with standard UNI CEI ISO/IEC 27001:2014 for ENAV.

With regard to the Occupational Health and Safety Management Systems of ENAV and Techno Sky, which were already certified in accordance with the OHSAS 18001: 2007 standard, the international certification body DNV GL successfully completed the activities for the transition to the new UNI EN 45001:2018 standard.

As far as the flight inspection and validation air fleet is concerned, the Parent Company underwent specific audits to check the Approval Certificate for the continuing airworthiness management company and the Approval Certificate for the maintenance company.

With regard to additional Techno Sky certifications/accreditations, note that:

- with regard to the accreditation of the Techno Sky calibration laboratory, in June 2020, the Italian accreditation body "ACCREDIA" successfully completed the first oversight audit in compliance with UNI CEI EN ISO/IEC 17025:2018;
- in December 2020 the international certification body DNV GL – Business Assurance carried out the second audit of continued compliance with the F-GAS certification (certification of companies and personnel as regards stationary refrigeration, air conditioning and heat pump equipment containing certain fluorinated greenhouse gases) pursuant to Implementing Regulation (EU) no. 2015/2067;
- in July 2020, the process of renewing certificate of conformity no. 0020 indicating compliance with NATO Publication AQAP 2110 and the assessment of compliance with the requirements of NATO Publication AQAP 2210.

With regard to the IDS AirNav subsidiary, in 2020, the international certification body successfully completed the renewal of the following certifications:

- UNI EN ISO 9001:2015 for the quality management system;
- UNI CEI ISO/IEC 27001:2014 for the information security management system;
- BS OHSAS 18001:2007 for the occupational health and security management system and transition to the new UNI EN ISO 45001:2018 standard;
- UNI EN ISO 14001:2015 for the environmental management system.

IDS AirNav also maintains certification as a design organisation for the Parent Company's instrument procedures in Italy and the United Arab Emirates and maturity level 3 in relation to the implementation of the Capability Maturity Model for Development (CMMI - DEV) for software development activities.

Security

The complexity of the conditions created by the global pandemic made it necessary to accelerate the evolution of security, with particular regard to information security. The evolutionary model required a determined push to lower the threat detection threshold and more decisive action not only on the technological level but above all on that of individual awareness, with the implementation of interactive training processes.

Despite the physical restrictions imposed in response to the emergency, significant objectives were achieved in all areas of responsibility. More specifically: i) the evolution of the security management system also continued in order to implement the new security measures imposed by the European and national legislation, in particular Decree Law 105/2019 regarding the national cyber security perimeter; ii) models were developed to disseminate the security culture, both with the expansion of the basic information security course to the entire company and with targeted interactive initiatives to increase attention to threat vectors; iii) the enhancement of the monitoring and early detection of threat indicators by the Security Operation Centre/CERT continued, with the extensive automation of processes and expansion into the various technological domains of the Group; iv) actions to strengthen the protection of infrastructures and personnel continued, with the start of new armed surveillance services and the gradual completion of the technological updating of physical security systems; and v) the consolidation of secure product management processes, through the design of a secure code development process.

A specific initiative was dedicated to updating business continuity processes in order to guarantee Group resilience and safeguarding the public interest inherent in ENAV's mission. Information and process improvements also continued in order to ensure – once ordinary activities resume the effective protection of personnel traveling abroad, in implementation of duty of care principles.

General Data Protection Regulation

As in 2019, the ENAV Group adopted appropriate technical and organisational measures to guarantee that personal data is processed in compliance with the provisions of Regulation (EU) 2016/679 on the protection of personal data (General Data Protection Regulation or GDPR).

During 2020, the Group worked to strengthen the control arrangements implemented to ensure compliance with the GDPR:

- granting organisational autonomy to Data Protection Officer (DPO);
- completing a project to revise the data processing registers and assessing the risks associated with processing the data they contain;
- providing training to employees of the ENAV Group;
- distributing the first version of the privacy manual containing the main provisions and principles connected with the protection of personal data to all Group employees.

In addition, the ENAV Group continued to devote constant attention to compliance in the processing of personal data, formalising a Data Protection Impact Assessment of the processing of health data connected with the COVID-19 health emergency. Specific exercises were conducted to verify the prompt response and awareness of all employees and internal units concerning the protection of personal data. In accordance with the provisions of the GDPR, all requests from interested parties for the exercise of their rights were handled in compliance with the established time limits and internal procedures. Each report of a possible incident connected to personal data was promptly examined by the relevant units as specified in internal procedures and in compliance with the GDPR and best practices and recommendations in this field.

Purchase of treasury shares

The Shareholders' Meeting of 21 May 2020 authorised, subject to revocation of the unexecuted portion of the previous authorisation pursuant to the resolution of the Shareholders' Meeting of 27 April 2018, the Board of Directors to purchase and dispose of treasury shares of ENAV, in compliance with applicable regulations and for a period of eighteen months from the date of the resolution, for the following purposes: i) to implement the remuneration policies adopted by ENAV and specifically to satisfy the obligations deriving from share option programmes or other grants of shares to employees or members of the Company's administrative bodies and/or of companies directly or indirectly controlled by ENAV; and ii) to support market liquidity in accordance with the market practices permitted pursuant to Article 180, paragraph 1, letter c) of the Consolidated Law on Financial Intermediation. A maximum of 1,200,000 shares were authorised for purchase. No purchases were made in 2020.
At 31 December 2020, ENAV held 772,103 treasury shares equal to 0.14% of share capital with a value of €3.2 million, having awarded 427,897 treasury shares to the beneficiaries of the first cycle of the performance share plan for 2017-2019 in the second half of 2020.

Significant transactions

No transactions that had a significant impact on the performance and financial position of the Group were carried out in 2020.

Atypical and/or unusual transactions

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, we report that during 2020 the Group did not carry out any atypical and/or unusual transactions and that there were no significant non-recurring events or transactions.
In this regard, such transactions are defined as transactions whose materiality, size, type of counterparty, subject matter, methods for determining the transfer price or timing may give rise to doubts about the accuracy and/or completeness of the disclosures in the financial statements, about conflicts of interest, about the preservation of company assets or about the protection of minority shareholders.

Transactions with related parties

Related parties refer to entities directly or indirectly controlled by ENAV, the Ministry for Economy and Finance (MEF, the parent entity), subsidiary and associated entities controlled directly or indirectly by the MEF and the Ministry with oversight responsibility, namely the Ministry of Infrastructure and Sustainable Mobility (formerly the Ministry of Infrastructure and Transport - MIT). Other related parties are the directors and their immediate family,

standing members of the Board of Auditors and their immediate family, key management personnel and their immediate family of the Parent Company and companies directly and/or indirectly controlled by it and the post-employment benefit plan funds for Group employees.
Related-party transactions conducted by the ENAV Group in 2020 essentially involved services that were provided as part of ordinary operations and settled on market terms and conditions, as described in more detail in Note 33 of the consolidated financial statements and Note 30 of the separate financial statements as at 31 December 2020.
In conformity with the provisions of Article 2391 bis of the Civil Code and in compliance with the principles set out in the Regulation containing provisions governing related-party transactions adopted with Consob resolution no. 17221 of 12 March 2010, as amended, the Parent Company established, with effect from the date of the admission of the company's shares to trading on the Mercato Telematico Azionario organised and operated by Borsa Italiana, a procedure governing related-party transactions approved by the Board of Directors on 21 June 2016. This procedure was updated and amended as approved by the Board of Directors, having obtained the favourable opinion of the Control, Risks and Related-Parties Committee, on 12 December 2018. The procedure is available on the ENAV website www.enav.it in the Governance section in the company documents area.
In 2020 no transactions of greater importance as identified in Annex 1 of the related-party transaction procedure were carried out. Nor were there any transactions subject to disclosure obligations because they qualify as cases exempt under the procedure or transactions that had a significant impact on the consolidated financial position or the consolidated results for the year.

Markets Regulation

With regard to the regulations governing the conditions for the listing of shares of parent companies that control companies incorporated under and regulated by the law of countries other than EU Member States and of significance for the purpose of the consolidated financial statements, as provided for by Article 15 of the Markets Regulation approved with Consob Resolution no. 20249 of 28 December 2017, note that as at 31 December 2020, the ENAV subsidiary affected by the provisions is Enav North Atlantic LLC and adequate procedures were adopted to ensure compliance with the Markets Regulation. The statement of financial position and the income statement of the 2020 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 by ENAV S.p.A. pursuant to the provisions of Article 15, paragraph 1, letter a) of the Markets Regulation at least 15 days prior to the date scheduled for the ordinary Shareholders' Meeting to will be called to approve the financial statements for 2020.

Participation in regulatory simplification process under CONSOB Regulation no. 18079 of 20 January 2012

Pursuant to Article 3 of CONSOB Resolution no. 18079 of 20 January 2012, ENAV has declared that it is participating in simplification regime envisaged by Articles 70, paragraph 8, and 71, paragraph 1-bis, of CONSOB Regulation no. 11971 of May 14, 1999 as amended (CONSOB Issuers Regulation), therefore availing itself of the option to derogate from the obligations to publish the information documents required for significant mergers, demergers, capital increases through the transfer of assets in kind, acquisitions and disposals.

Information on the main ENAV companies

This section provides information on the financial position, performance and operations of the main Group companies, prepared in accordance with the IFRS and approved by the board of directors of the respective companies.

Techno Sky S.r.l.

			CHANGE	
	2020	**2019**	**no.**	**%**
Revenues	**95,048**	100,485	(5,437)	-5.4%
EBITDA	**26,967**	20,766	6,201	29.9%
EBIT	**25,152**	18,609	6,543	35.2%
Net profit/(loss) for the year	**18,293**	13,194	5,099	38.6%
Net capital employed	**36,996**	35,210	1,786	5.1%
Shareholders' equity	**38,591**	33,451	5,140	15.4%
Net financial position	**(1,595)**	1,759	(3,354)	-190.7%
Headcount at end of year	**665**	730	(65)	-8.9%

(thousands of euros)

Techno Sky closed 2020 with a net profit €18.3 million, an increase of €5.1 million, on the previous year. This performance was impacted on the one hand by the health emergency, which slowed activities and lowered revenues by 5.4%, and on the other by a reduction of 18% in personnel costs following the transfer of 69 staff employees to ENAV as from the first quarter of 2020 as part of the centralisation of certain staff functions with the Parent Company in order to enhance Group efficiency. These factors produced EBITDA of €27 million, up 29.9% on 2019, and EBIT of €25.2 million, an increase of 35.2% on 2019, benefitting from lower depreciation, amortisation and impairment losses. The net financial position was a positive €1.6 million, an improvement of €3.4 million on 31 December 2019, thanks to the collection of a VAT receivable for which reimbursement had been requested in the amount of €8 million.
In 2020, Techno Sky also maintained a good level of technical performance linked to the global maintenance contract for the operating facilities of the Parent Company, both with regards to the management and maintenance of the hardware of the ATC technology infrastructure and the corrective, adaptive and evolutionary maintenance of software.

IDS AirNav S.r.l.

	2020	2019	CHANGE no.	CHANGE %
Revenues	**20,664**	12,295	8,369	68.1%
EBITDA	**4,368**	4,981	(613)	-12.3%
EBIT	**3,111**	4,864	(1,753)	-36.0%
Net profit/(loss) for the year	**2,279**	3,392	(1,113)	-32.8%
Net capital employed	**11,394**	7,581	3,813	50.3%
Shareholders' equity	**7,074**	4,797	2,277	47.5%
Net financial position	**4,320**	2,784	1,536	55.2%
Headcount at end of year	**150**	146	4	2.7%

(thousands of euros)

The 2020 performance figures for IDS AirNav are not comparable with the previous year as the company was established on 24 May 2019, received the air navigation business unit from IDS Ingegneria dei Sistemi S.p.A. on 28 June 2019 with effect from 2 July 2019. On 18 July 2019 ENAV purchased 100% of the share capital of IDS AirNav. The health emergency led to a slowdown in activities as a result of travel restrictions, with the consequent rescheduling of activities on orders for which a physical presence is necessary. Despite this critical situation, the company generated revenues of €20.7 million, was active in about 40 countries around the world and had relationships with about 90 customers, of which about 40% are air navigation service providers in both Europe and non-European countries. Costs rose by €8.9 million, leading to EBITDA of €4.4 million, a decrease of 12.3% compared with 2019. EBIT was affected by an increase in depreciation and amortisation, which reflected in part the acquisition of the intellectual property rights for two software products acquired during the year, and the prudential recognition of impairment losses on receivables, amounting to €3.1 million. IDS AirNav closed 2020 with a profit of €2.3 million.

Enav Asia Pacific Sdn Bhd

	2020	2019	CHANGE no.	CHANGE %
Revenues	**2,691**	2,905	(214)	-7.4%
EBITDA	**1,046**	1,246	(200)	-16.1%
EBIT	**1,000**	1,205	(205)	-17.0%
Net profit/(loss) for the year	**712**	906	(194)	-21.4%

(thousands of euros)

Enav Asia Pacific, a company incorporated under the laws of Malaysia, closed 2020 with a net profit of €0.7 million, a decrease compared with the previous year. Revenues decreased by 7.4% and were generated by the activities performed under the contract for the upgrade of CNS-ATM systems in the Kota Kinabalu Flight Information Region. The decline in revenues was also reflected in developments in costs, producing EBITDA of €1.1 million, a decrease of 16.1% compared with the previous year.

Enav North Atlantic

Enav North Atlantic, a company incorporated under the laws of the US state of Delaware, is a vehicle that holds the stake in Aireon LLC, a US company also owned by service providers from Canada (Nav Canada), Ireland (IAA), Denmark (Naviair), and the United Kingdom (NATS) and the technological partner IRIDIUM, in the total amount of €63.5 million, corresponding to $70.8 million, with a 9.1% interest that will rise to 11.1% following execution of the redemption clause. Aireon LLC created the first global satellite surveillance system for air traffic control, which was completed with the eighth and final launch of the satellites that make up the Iridium Next constellation. With the installation of a device on board of each of the 66 operational satellites (out of a total of 75), the system will provide aeronautical surveillance around the entire globe, compared with existing radar-based coverage of about 30% of the earth's surface. This global air traffic control surveillance system enables route optimisation, the achievement of ever higher flight safety and efficiency standards and fuel savings thanks to shorter routes with a lower environmental impact.
Last year closed with a profit of €4.6 million (€0.4 million in 2019), mainly generated by the deferred tax assets recognised on the tax loss registered in the tax return filed 2020 for the 2019 financial year.

Reconciliation of the shareholders' equity and net profit of ENAV S.p.A. with the corresponding consolidated figures

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, the following table contains a reconciliation of Group net profit and shareholders' equity with the corresponding figures for the Parent Company.

	31.12.2020		31.12.2019	
	Net profit	Shareholders' equity	Net profit	Shareholders' equity
Parent Company	**43,342**	**1,073,908**	111,881	1,143,172
Consolidation differences	**0**	**(29,721)**	0	(29,721)
Amortisation of increased value of assets from acquisition, net of tax effects	**(1,866)**	**(2,719)**	(853)	(853)
Elimination of intercompany income effects net of tax effect	**606**	**(14,237)**	687	(14,843)
Translation reserve	**0**	**1,766**	0	7,029
Reserve from fair value measurement of investments, employee benefits and FTA	**0**	**(833)**	0	5,843
Consolidation reserve	**0**	**3,946**	0	3,946
Other effects	**0**	**(7)**	1	(4)
Intercompany dividends	**(13,194)**	**(23,962)**	(10,768)	(10,768)
Net profit of subsidiaries	**25,395**	**75,137**	17,485	49,742
Group total	**54,283**	**1,083,278**	**118,433**	**1,153,543**
Non-controlling interests	**(311)**	**2,189**	(164)	2,500
Total	**53,972**	**1,085,467**	**118,269**	**1,156,043**

(thousands of euros)

Risk management

The ENAV Group has adopted an Enterprise Risk Management (ERM) process to identify, assess and monitor Group-wide risks and to define and manage mitigation actions to contain the level of risk within the propensity thresholds approved by the Board of Directors (risk appetite).
An analysis of the most significant risks for the Group is provided below, taking due consideration of the impact of the coronavirus pandemic, which is still under way. For the analysis of purely financial risks, please see the explanatory notes of the consolidated financial statements.

Safety

The prevention and containment of the risks associated with the provision of our core business activities is a primary objective of the ENAV Group. The level of operational safety of air navigation services is an indispensable priority for ENAV, which in pursuing its institutional objectives reconciles the interdependencies of the various performance areas with achievement of pre-eminent safety objectives.
Safety performance is monitored through dedicated organisational arrangements and we have developed and operate a specific Safety Management System, approved and validated by ENAC as part of its surveillance of the certification of ENAV as an Air Navigation Service Provider.
The Parent Company prepares its own safety policies and a plan for improvement of those policies (the Safety Plan), which programmes the activities that it intends to carry out in order to achieve the specified safety performance objectives and to improve safety as a whole.

Image & reputation

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

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

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

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

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

Business Continuity

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

Information security

Information security is an essential element in the provision of air navigation services.

Information security is managed by a dedicated organisational structure, with the implementation and maintenance of an Security Management System certified in accordance with the ISO/IEC 27001:2014 standard.

The confidentiality, integrity and availability of operational and corporate information are constantly monitored and guaranteed through a complex architecture of physical and logical security controls as well as internal rules and procedures. Additional security is provided through coordination with the competent civil and military authorities for the protection of operational data, in particular in the context of the National Plan for Cyber Protection and IT Security, and collaborative initiatives with the Italy’s CSIRT (Computer Security Incident Response Team) and CNAIPIC (National IT Crime Centre for the Protection of Critical Infrastructure).

Market abuse

The ENAV Group manages the risks associated with market abuse in order to prevent and manage the possible dissemination of false or misleading information to manipulate the financial markets and to prevent the use of inside information in order to take advantage of it (so-called internal dealing). In this regards, the Compliance Model implemented pursuant to Legislative Decree 231 of 8 June 2001 comprises market abuse offenses, for whose prevention the Group has established a centralised organisational and procedural architecture, accompanied by training programmes for the corporate bodies and top management as well as all other personnel in order to create the necessary culture and sensitivity regarding inside information and compliance with applicable regulations.

Compliance

The Parent Company constantly monitors potential risks engendered by the evolution of applicable legislation in order to ensure prompt compliance, in accordance with best practices and the relevant legal and regulatory framework, taking care to constantly adjust governance and control responsibilities, processes and organisational systems.
During 2020, monitoring was regularly carried out on compliance with the regulatory requirements set out in Implementing Regulation (EU) 2017/373 laying down requirements for providers of air traffic management/air navigation services and by Implementing Regulation (EU) 2015/340 for training activities.
The ENAV Group also pays close attention to environmental issues, both with a view to regulatory compliance but also with the deployment of proactive actions aimed at limiting environmental impact in all its forms.
In order to address environmental issues more effectively, work is under way on the implementation of the Group's Environmental Management System, which is UNI EN ISO 14001 compliant. The environmental policy guidelines include the consolidation of the benefits related to atmospheric CO_2 emissions by carriers through the Flight Efficiency Plan (FEP), the adoption of green procurement processes through the application of minimum environmental criteria in procurement policies, the rational use of energy including moving towards renewable energy, and the dissemination of a culture of environmental protection among our employees through staff awareness and training projects.
In addition, the Group has established a system of employer-designated environmental officers as well as persons in charge of managing the hazardous waste cycle: they are called upon to ensure compliance with the provisions of Legislative Decree 152/06.

Health & Safety

Among the Group companies, ENAV, Techno Sky and IDS AirNav have established Occupational Health and Safety Management Systems certified in accordance with the OHSAS 18001 standard. During the year they completed work for the transition of the certificate of conformity to the new ISO 45001:2018 standard.
The governance of these systems, together with centralised monitoring and constant training and awareness-raising activities with Group personnel, ensures ongoing compliance with applicable regulations.
Particular attention is also paid to measures to guarantee the safety of workers operating abroad in countries at risk (so-called "travel security"). To this end, health and safety assessments of the workplace are carried out for individual missions with the issue of specific recommendations, the definition of contingency plans for missions in non-low risk countries, the organisation of training/information sessions for workers and the planning of "emergency response" services.

Institutional relations

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

Human capital

The adequacy of human capital represents a critical success factor both for the operation of the services we deliver and, more generally, the achievement of corporate objectives. It is preserved through specific models, processes and staff development tools, which are also helpful for mapping training needs with a view to developing skills.
The continuous improvement of technical knowledge, skills and capabilities is not just an aspect of compliance with laws and regulations at operational level, which is periodically verified by external regulators. It is also considered an opportunity for planning the overall growth of the Group, including with regard to non-regulated activities and future technological and business challenges.
For the key corporate officers, appropriate succession tables have been established on the basis of periodic internal evaluations designed to help identify high potential talent (using a variety of assessment techniques), also with a view to ensuring that skills and company positions are aligned.

Macro trends and cost governance

The European Commission has issued a new regulation on the charging scheme providing for exceptional measures for the 2020-2021 years of the third reference period (2020-2024 - RP3). This regulation, which applies to air navigation service providers (ANSP), introduces special rules for the definition of performance targets at the

European level for the first two years of RP3 in order to mitigate the impact of the COVID-19 pandemic on the air transport sector and ensure its long-term sustainability.

More specifically, final approval of the RP3 Performance Plans for the individual ANSPs has been postponed to the end of 2021: by December 15, 2020, the Member States sent the European Commission preliminary data on costs and traffic forecasts for 2020-2024 to be used as initial input for determining the revised performance targets for RP3 at the European level. Based on the information received, the European Commission will adopt the new performance targets by 1 May 2021. In turn, the Member States will have to submit revised RP3 Performance Plans, including the new targets, by October 2021. As a final step, the Performance Plans should be voted on and approved by December 2021.

The bonus/malus mechanism that assigns ANSPs an annual bonus or penalty, equal to a maximum of 2% of determined costs, has been suspended for the 2020-2021 period, but will be fully reactivated from 2022 onwards. Although for the second reference period (2015-2019) the capacity target was measured at the Functional Airspace Block (FAB) level, national authorities decided that the incentive system would have local implementation, justified in part by the difficulty of identifying an incentive system directly applicable to the Blue Med FAB, which is shared between the four Member States that it covers.

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

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

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

Coronavirus risk to Group operations

The spread of COVID-19 around the world has returned the volume of world air traffic to the levels prevailing in the early 2000s and forecasts for the recovery of traffic are uncertain because they are closely linked to the evolution of the health crisis. The air traffic forecasts for Italy for 2021, published by Eurocontrol in November, consider alternative scenarios based on the timing of COVID-19 vaccine availability. A potential third wave of the COVID-19 pandemic could have further negative impacts on demand for international air traffic and overflight in 2021 as well.

With regard to the impact on the health and safety of all ENAV Group personnel, all the measures prescribed by existing COVID protocols have been adopted, as well as the measures recommended by the competent entities, such as the Ministry of Health and the Istituto Superiore di Sanità.

All the Group's line and staff units are actively involved in a plan to monitor short and medium-term developments in the situation, focusing on the actual effects and risks related to COVID-19, with a view to evaluating the repercussions for the business as accurately as possible and to activating all remedial actions to protect and secure the Group's operations.

Significant events after 31 December 2020

On 25 February 2021, the shareholders' meeting of the Sicta Consortium in liquidation approved the definitive closure of the consortium, as the liquidation process had been completed and the allotment plan approved.
On 1 March 2021, Enav España Control Aereo S.L.U. which was acquired in January 2020 for participation in the tender organised by the Spanish airport operator to award terminal air traffic management services for 12 small and medium-sized Spanish airports was placed in liquidation and definitively liquidated as it did not win the tender.

Outlook for operations

Developments in operations in 2020 varied depending on the quarter. While the initial part of the year registered a growing volume of traffic and revenues, the period from April to June was instead impacted by the COVID-19 pandemic, with an unprecedented contraction in service units, one that even exceeded that recorded after the attacks on the twin towers in New York, with volumes plunging by 91.1% in April and 89.9% in May.
July and especially August experienced a significant upturn in traffic volumes in terms of service units, with August posting a decrease of around 55.8% compared with August of the previous year. In the latter part of the year, however, due to the worsening of the pandemic, operations were again impacted by a sudden drop of traffic volumes, with service units in November falling by 66.1%. Given this variability, which has no recent parallels, it is currently difficult to predict when traffic will return to normal. According to the latest forecasts produced by Eurocontrol's STATFOR in the Five-Year Forecast 2020-2024 in November 2020, in 2021 Italy, although experiencing a recovery in traffic, will still see service units at around 50% of their level in 2019. This forecast is based on expectations that the vaccination campaign may cause the pandemic to slow substantially as early as 2021, with possible eradication of COVID-19 as early as the 2022 summer season. It will therefore be important to track developments in traffic, and the related revenues, in the coming months, taking due account of STATFOR's update of its traffic forecast in May 2021.
The next few months will be especially important for ENAV and the Group companies, not only due to the expected traffic volumes, but also the definition and negotiation of the Performance Plans following the publication of the targets by the European Commission. With regard to investment activities, which were reduced in 2020 in the wake of the lockdown and rescheduling designed to manage outlays while maintaining the service and safety levels, expenditure in 2022 is expected to be substantially in line with the previous year before recovering in subsequent years.
In consideration of the procedures and timetable set by the EU regulator for the definition and approval of performance and charging plans, and given the significant weight of core business revenues compared with those generated on the non-regulated market, the Parent Company thought it advisable to develop the new business plan after the definition and negotiation of the Performance Plans with the regulator, when the required performance levels and the associated charges will be defined.
With regard to the financial outlook for 2021, the environment in which we operate continues to be characterised by the uncertainty linked to the COVID-19 pandemic, although there are signs of an improvement in the foreseeable evolution of air traffic, especially for the summer. Under these conditions, management expects free cash flow to remain negative in 2021 and, in addition to the funding initiatives already carried out in 2020 and discussed in

the section *Operations*, is evaluating the possibility of pursuing additional transactions in order to increase cash reserves that can be drawn on if necessary to meeting any additional requirements connected with ordinary operations. In any case, management's current projections for the development of cash flows looking forward confirm our natural capacity to fully service bank debt in compliance with the agreed amortisation plans.

Proposal to the ENAV S.p.A. Shareholders’ Meeting

Dear Shareholders,

The Board of Directors invites you to:

- approve the financial statements at 31 December 2020 showing a profit for the year of €43,342,290.01;
- allocate 5% of the profit for the year, equal to €2,167,114.50, to the legal reserve as provided for pursuant to Article 2430, paragraph 1 of the Italian Civil Code, and the remainder of €41,175,175.51 to retained earnings.

20 April 2021

The Board of Directors

ENAV Group
Consolidated Financial Statements at 31 December 2020

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Enav Group Consolidated Financial Statements

Consolidated statement of financial position

ASSETS

	Notes	31.12.2020	of which related parties (Note 33)	31.12.2019	of which related parties (Note 33)
Non-current assets					
Property, plant and equipment	7	**929,533,044**	0	985,129,430	0
Intangible assets	8	**175,629,242**	0	171,567,343	0
Investments in other entities	9	**50,121,845**	0	63,225,238	0
Non-current financial assets	10	**346,719**	0	11,090,188	10,658,113
Deferred tax assets	11	**27,147,820**	0	16,683,396	0
Non-current tax receivables	12	**23,857,810**	0	24,858,353	0
Non-current trade receivables	13	**385,970,716**	0	9,612,495	0
Other non-current assets	15	**7,764,636**	7,751,760	16,343,893	16,343,893
Total non-current assets		**1,600,371,832**		**1,298,510,336**	
Current assets					
Inventories	14	**61,560,792**	0	60,690,528	0
Current trade receivables	13	**136,581,749**	40,641,837	213,321,419	42,798,524
Current financial assets	10	**9,850,827**	9,850,827	24,976,671	0
Tax receivables	12	**13,336,512**	0	14,804,176	0
Other current assets	15	**52,234,355**	35,239,207	48,114,091	32,977,328
Cash and cash equivalents	16	**316,044,081**	224,570	449,268,346	534,846
Total current assets		**589,608,316**		**811,175,231**	
Assets classified as held for sale	17	**1,431,642**		1,443,517	
Total assets		**2,191,411,790**		**2,111,129,084**	

(euros)

Consolidated statement of financial position

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	31.12.2020	of which related parties (note 33)	31.12.2019	of which related parties (note 33)
Shareholders' equity					
Share capital	18	**541,744,385**	0	541,744,385	0
Reserves	18	**467,486,532**	0	473,373,561	0
Retained earnings/(loss carryforward)	18	**19,763,486**	0	19,992,565	0
Profit (loss) for the year	18	**54,283,479**	0	118,432,376	0
Total Group shareholders' equity	**18**	**1,083,277,882**	**0**	**1,153,542,887**	**0**
Non-controlling interests and reserves		**2,499,765**	0	2,664,000	0
Profit/(loss) pertaining to non-controlling interests		**(311,263)**	0	(164,235)	0
Total shareholders' equity pertaining to non-controlling interests		**2,188,502**	**0**	**2,499,765**	**0**
Total shareholders' equity	**18**	**1,085,466,384**		**1,156,042,652**	
Non-current liabilities					
Provisions for risks and charges	19	**1,050,000**	0	991,200	0
Severance pay and other employee benefits	20	**49,943,154**	0	52,509,423	0
Deferred tax liabilities	11	**6,729,418**	0	9,308,909	0
Non-current financial liabilities	21	**485,149,609**	0	330,784,071	0
Non-current trade payables	22	**8,506,073**	0	49,416,977	0
Other non-current liabilities	23	**171,403,925**	0	176,549,910	0
Total non-current liabilities		**722,782,179**		**619,560,490**	
Current liabilities					
Short-term portion of provisions for risks and charges	19	**2,291,531**	0	786,823	0
Current trade payables	22	**149,811,624**	17,959,187	138,754,198	18,303,236
Tax and social security payables	24	**24,755,009**	0	35,945,970	0
Current financial liabilities	21	**67,515,998**	0	17,169,674	0
Other current liabilities	23	**138,784,423**	91,884,439	142,828,020	77,515,432
Total current liabilities		**383,158,585**		**335,484,685**	
Liabilities directly associated with assets held for disposal	17	**4,642**		41,257	
Total liabilities		**1,105,945,406**		**955,086,432**	
Total shareholders' equity and liabilities		**2,191,411,790**		**2,111,129,084**	

(euros)

Consolidated income statement

	Notes	2020	of which related parties (Note 33)	2019	of which related parties (Note 33)
Revenues					
Revenues from operations	25	**352,216,440**	10,251,259	951,766,371	12,519,473
Balances	25	**383,378,133**	0	(86,974,733)	0
Total revenues from contracts with customers	25	735,594,573		864,791,638	
Other operating income	26	**45,270,927**	34,870,314	47,121,792	35,264,279
Total revenues		**780,865,500**		**911,913,430**	
Costs					
Costs for raw materials, supplies, consumables and goods	27	**(7,772,336)**	(276,081)	(9,894,124)	(280,329)
Costs for services	27	**(112,672,031)**	(9,061,250)	(119,487,713)	(8,357,521)
Personnel costs	28	**(460,956,551)**	0	(497,118,377)	0
Costs leases and rentals	27	**(2,115,601)**	(23,546)	(2,299,790)	(21,888)
Other operating expenses	27	**(4,720,414)**	0	(2,482,253)	0
Capitalised costs	29	**27,727,063**	0	31,262,239	0
Total costs		**(560,509,870)**		**(600,020,018)**	
Depreciation and amortisation	7 and 8	**(138,071,100)**	0	(139,484,935)	0
Writedowns/(writebacks) for impairment of receivables	13	**(6,168,077)**	0	(2,212,707)	0
Writedowns/(writebacks) for impairment of property, plant and equipment and intangible assets	7	**(4,179,047)**	0	(118,876)	0
Provisions	19	**(813,131)**	0	509,262	0
Operating income		**71,124,275**		**170,586,156**	
Financial income and expense					
Financial income	30	**1,818,166**	0	2,146,835	0
Financial expense	30	**(7,353,433)**	0	(6,827,037)	0
Exchange rate gains (losses)	30	**(589,877)**	0	62,061	0
Total financial income and expense		**(6,125,144)**		**(4,618,141)**	
Income before taxes		**64,999,131**		**165,968,015**	
Income taxes	31	**(11,026,915)**	0	(47,699,874)	0
Profit (loss) for the year		**53,972,216**		**118,268,141**	
Pertaining to shareholders of Parent Company		**54,283,479**		118,432,376	
Pertaining to non-controlling interests		**(311,263)**		(164,235)	
Basic earnings/(loss) per share	38	**0.10**		0.22	
Diluted earnings/(loss) per share	38	**0.10**		0.22	

(euros)

Consolidated statement of other comprehensive income

	Notes	2020	2019
Profit (loss) for the year	18	**53,972,216**	118,268,141
Other comprehensive income recyclable to profit/(loss):			
- Differences arising from the translation of foreign financial statements	18	**(5,265,937)**	1,129,169
- Fair value of derivative financial instruments	10 and 18	**(154,172)**	95,750
- Tax effect of the valuation at fair value of derivative financial instruments	11 and 18	**37,001**	(22,984)
Total other comprehensive income recyclable to profit or loss		**(5,383,108)**	**1,201,935**
Other comprehensive income not recyclable to profit or loss:			
- fair value measurement of investments in other entities	9	**(8,497,758)**	1,890,725
- Actuarial gains/(losses) on employee benefits	18 and 20	**(453,807)**	(2,794,410)
- Tax effect of actuarial gains/(losses) on employee benefits	11 and 18	**1,893,443**	273,607
Other comprehensive income not recyclable to profit or loss		**(7,058,122)**	(630,078)
Comprehensive Income		**41,530,986**	**118,839,998**
Pertaining to shareholders of Parent Company		**41,842,249**	119,004,233
Pertaining to non-controlling interests		**(311,263)**	(164,235)

(euros)

Consolidated statement of changes in shareholders' equity

	Share capital	RESERVES Legal reserve	Sundry reserves	Reserve from actuarial gains/ (losses) for employee benefits
Balance at 31 December 2018	**541,744,385**	**26,663,066**	**443,029,212**	**(9,086,080)**
Adoption of new standards	0	0	0	0
Balance at 1 January 2019	**541,744,385**	**26,663,066**	**443,029,212**	**(9,086,080)**
Allocation of net profit from the previous year	0	5,146,738	0	0
Dividend distribution	0	0	0	0
Purchase of treasury shares	0	0	0	0
Currency translation difference reserve	0	0	1,129,169	0
Long-Term Incentive Plan	0	0	1,145,592	0
Disposal of investments to third parties	0	0	3,946,000	0
Comprehensive income, of which:				
- Profit (loss) recognised directly in equity	0	0	1,493,673	(2,123,751)
- Profit (loss) for the year	0	0	0	0
Balance at 31 December 2019	**541,744,385**	**31,809,804**	**450,743,646**	**(11,209,831)**
Allocation of net profit from the previous year	0	5,594,056	0	0
Dividend distribution	0	0	0	0
Purchase/award of treasury shares	0	0	1,773,331	0
Currency translation difference reserve	0	0	(5,265,937)	0
Long-Term Incentive Plan	0	0	(813,186)	0
Comprehensive income, of which:				
- Profit (loss) recognised directly in equity	0	0	(6,713,229)	(344,893)
- Profit (loss) for the year	0	0	0	0
Balance at 31 December 2020	**541,744,385**	**37,403,860**	**439,724,625**	**(11,554,724)**

Cash flow hedges	Total reserves	Retained earnings/(loss carryforward)	Profit (loss) for the year	Total	Pertaining to non-controlling interests	Total shareholders' equity
1,957,176	**462,563,374**	**18,860,841**	**114,390,115**	**1,137,558,715**	**0**	**1,137,558,715**
0	0	(110,885)	0	(110,885)	0	(110,885)
1,957,176	**462,563,374**	**18,749,956**	**114,390,115**	**1,137,447,830**	**0**	**1,137,447,830**
0	5,146,738	109,243,377	(114,390,115)	0		0
0	0	(108,000,768)	0	(108,000,768)	0	(108,000,768)
0	0	0	0	0	0	0
0	1,129,169	0	0	1,129,169	0	1,129,169
0	1,145,592	0	0	1,145,592	0	1,145,592
0	3,946,000	0	0	3,946,000	2,664,000	6,610,000
72,766	(557,312)	0	0	(557,312)	0	(557,312)
0	0	0	118,432,376	118,432,376	(164,235)	118,268,141
2,029,942	**473,373,561**	**19,992,565**	**118,432,376**	**1,153,542,887**	**2,499,765**	**1,156,042,652**
0	5,594,056	112,838,320	(118,432,376)	0	0	0
0	0	(113,189,994)	0	(113,189,994)	0	(113,189,994)
0	1,773,331	0	0	1,773,331	0	1,773,331
0	(5,265,937)	0	0	(5,265,937)	0	(5,265,937)
0	(813,186)	122,595	0	(690,591)	0	(690,591)
(117,171)	(7,175,293)	0	0	(7,175,293)	0	(7,175,293)
0	0	0	54,283,479	54,283,479	(311,263)	53,972,216
1,912,771	**467,486,532**	**19,763,486**	**54,283,479**	**1,083,277,882**	**2,188,502**	**1,085,466,384**

(euros)

Consolidated statement of cash flows

		Notes	2020	of which related parties	2019	of which related parties
A	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (*)	16	450,657		317,716	
	Net cash flow generated/(absorbed) from operating activities					
	Profit (loss) for the year	18	**53,972**	0	118,268	0
	Depreciation and amortisation	7 and 8	**138,071**	0	139,485	0
	Net change in liabilities for employee benefits	20	**(3,020)**	0	(2,814)	0
	Change resulting from exchange rate differences	18	**(23)**	0	39	0
	Loss on sale of property, plant and equipment and impairment loss of property, plant and equipment and intangible assets	7 and 8	**4,320**	0	200	0
	Other income/expense on non-cash flows	7	**4**	0	18	0
	Provision for stock grant plans	28	**1,083**	0	1,146	0
	Net provisions for risks and charges	19	**1,691**	0	(509)	0
	Net change in deferred tax assets and deferred tax liabilities	11	**(11,476)**	0	(322)	0
	Decrease/(increase) in inventories	14	**(248)**	0	689	0
	Decrease/(increase) in current and non-current trade receivables	13	**(300,372)**	2,157	66,142	(4,110)
	Decrease/(increase) in tax receivables and tax and social security payables	12 and 24	**(8,722)**	0	15,917	0
	Change in other current assets and liabilities	15 and 23	**(6,848)**	12,107	21,125	14,588
	Change in other non-current assets and liabilities	23	**3,435**	8,592	9,830	5,766
	Increase/(decrease) in current and non-current trade payables	22	**(44,925)**	1,595	(27,581)	854
B	TOTAL CASH FLOW FROM OPERATING ACTIVITIES		(173,058)		341,633	
	of which taxes paid		**(37,195)**	0	(35,159)	0
	of which interest paid		**(4,414)**	0	(3,645)	0
	Net cash flow generated/(absorbed) from investing activities					
	Investments in property, plant and equipment	7	**(74,003)**	0	(101,759)	0
	Investments in intangible assets	8	**(17,485)**	0	(14,557)	0

(thousands of euros)

		Notes	2020	of which related parties	2019	of which related parties
	Increase/(decrease) in trade payables for investments	22	**14,906**	(1,939)	51,470	1,773
	Sale of property, plant and equipment	7	**0**	0	0	0
	(Decrease)/increase in trade receivables for investments	13	**750**	0	750	0
	Equity investments	9	**0**	0	(41,126)	0
	Increase/(decrease) in trade payables for equity investments	9	**(1,313)**	0	3,155	0
	Investments in financial assets	10	**24,897**	0	9,000	0
C	**TOTAL CASH FLOW FROM INVESTING ACTIVITIES**		**(52,248)**		**(93,067)**	
	Net cash flow generated/(absorbed) from financing activities					
	New medium and long term loans	21	**220,000**	0	0	0
	(Repayments) of medium and long term loans	21	**(13,540)**	0	(13,417)	0
	Net change in short-term financial liabilities	21	**174**	0	(7)	0
	Bond issue	21	**0**	0	0	0
	Net change in short-term financial liabilities	21	**(1,980)**	0	(2,082)	0
	(Increase)/Decrease in current and non-current financial assets	10	**877**	807	1,196	(10,658)
	Purchase of treasury shares	18	**0**	0	0	0
	Change in capital	18	**0**	0	6,625	0
	Dividend distribution	18	**(113,190)**	(60,308)	(108,001)	(57,543)
D	**TOTAL CASH FLOW FROM FINANCING ACTIVITIES**		**92,341**		**(115,686)**	
E	**Total cash flow (B+C+D)**		**(132,965)**		**132,880**	
F	**Exchange rate differences on cash**		**(273)**		**61**	
G	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+E+F) (**)**	**16**	**317,419**		**450,657**	

(thousands of euros)

(*) Cash and cash equivalents at the beginning of the year include €1,389 thousand of the liquidity of Sicta Consortium in liquidation, reclassified as part of assets held for sale.
(**) Cash and cash equivalents at the end of the year include €1,375 thousand of the liquidity of Sicta Consortium in liquidation and ENAV Espana Control Aereo , reclassified as part of assets held for sale.

Notes to the financial statements of the ENAV Group

1. General information

ENAV S.p.A. (hereinafter also the "Company" or the "Parent Company"), was established in 2001 following the transformation with Law 665/1996 of the Ente Pubblico Economico "Ente Nazionale di Assistenza al Volo" (the National Agency for Flight Assistance), a public enterprise, that was formerly known as the "'Azienda Autonoma di Assistenza al Volo per il Traffico Aereo Generale" (A.A.A.V.T.A.G.) (Autonomous Company providing Flight Assistance for General Traffic) and has its registered office in Rome, 716 via Salaria and other secondary offices and operating facilities located throughout Italy.

Since 26 July 2016, ENAV shares have been listed on the Mercato Telematico Azionario (MTA) organised and operated by Borsa Italiana S.p.A. and, at 31 December 2020, 53.28% the Company was owned by the Ministry for the Economy and Finance (MEF) and 46.58% by institutional and individual shareholders, with 0.14% being held by ENAV as treasury shares.

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

The Group's consolidated financial statements for the year ended 31 December 2020 include the financial statements of ENAV S.p.A. and its subsidiaries and were approved by the Board of Directors on 20 April 2021, which authorised their dissemination. These financial statements have undergone statutory audit by EY S.p.A. which was engaged for the 2016-2024 period by the Shareholders' Meeting on 29 April 2016.

2. Form and content of the consolidated financial statements

The consolidated financial statements at 31 December 2020 of ENAV S.p.A. and its subsidiaries (hereinafter also the "Group") 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 in accordance with the provisions of Regulation (EC) No. 1606/2002 as well as Legislative Decree 38 of 28 February 2005, which governed the application of the IFRS under the scope of Italian law.

"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 EU Regulations published up to 20 April 2021, 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, as it is assumed to continue operating as a going concern, and are in conformity with 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 functional currency of the ENAV Group. All the amounts in the tables in the notes and comments below are stated in thousands of euros, unless indicated otherwise.

The financial statements used and associated classification criteria adopted by the ENAV Group are indicated below under the scope of the options provided for 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 reporting the value of positions or transactions with related parties in the financial statements and, where applicable, the representation in the consolidated income statement of revenue and expense from significant non-recurring transactions or circumstances that do not occur frequently in regular operations. In 2020 there were no atypical or significant transactions requiring separate reporting. The following financial statements were used:

- *consolidated statement of financial position*, prepared by classifying assets and liabilities as current or non-current, with separate reporting, if present, of assets classified as held for sale and the liabilities included in a disposal group classified as held for sale or for distribution to shareholders. Current assets, which include cash and cash equivalents, are those that are intended to be realised, sold or consumed in the normal operating cycle of the Group or in the 12 months after the close of the year. 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 close of the year.
- *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 other changes in consolidated shareholders' equity items, separated into items which will later be reclassified (recycled) to the income statement and those which will not;
- *consolidated statement of changes in shareholders' equity;*
- *consolidated statement of cash flows*, prepared by reporting cash flows from operations using the indirect method and by presenting net cash flows generated from operating, investing and financing activities.

The Group has also applied the new definition of material introduced with amendments to IAS 1 and IAS 8, which states that information is material if omitting, misstating or obscuring could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of the information, or both. The Group assesses whether information, individually or in combination with other information, is material in the context of the financial statements considered as a whole.

The consolidated financial statements were prepared on a historic cost basis with the exception of financial statement items that must be measured at fair value.

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

3. Accounting standards and scope of consolidation

SUBSIDIARIES

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 such control ceases, in accordance with IFRS 10.

Control is acquired when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

- power over the investee (i.e. it has existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Generally speaking, it is assumed that holding a majority of voting rights gives 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 investee, including:

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

The Group reassesses whether it controls an investee if the facts and circumstances indicate that changes may have taken place in one or more of the three elements of control indicated above. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

If the Group loses control of a subsidiary, it eliminates the related assets and liabilities and other components of equity, while any profit or loss is recognised in the income statement. Any portion of the investment retained is recognised at fair value.

The financial statements of the subsidiaries are prepared with reference to 31 December 2020, the reference date of the consolidated financial statements, specifically drawn up and approved by the administrative bodies of the individual entities, appropriately adjusted, where necessary, to ensure uniformity with the accounting policies applied by the ENAV Group.

The subsidiaries included in the scope of consolidation are consolidated on a line-by-line basis, as follows:

- 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 carrying amount of equity investments is eliminated against the corresponding fraction of the shareholders' equity of the investees, attributing to the individual elements of assets or liabilities their fair value at the date of the acquisition of control;

- unrealised gains and losses of the Group on transactions between Group companies are eliminated, as are reciprocal debtor and creditor positions and costs and revenues;
- the consolidation adjustments take account of deferred tax effects.

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 are translated into euros, which is the Group's functional currency, as follows:

- assets and liabilities are converted using the exchange rates at the reporting date;
- 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 prevailing on the date of each transaction;
- the translation reserve, reported under consolidated shareholders' equity, includes both the exchange rate differences generated by the conversion of items at a different rate from the closing rate and from those generated by the translation of opening shareholders' equity at a different exchange rate from the closing rate for the reporting period. This reserve is reversed to profit or loss at the time of disposal of the investment.

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

	31.12.2020		31.12.2019	
	12-month average	at 31 December	12-month average	at 31 December
Malaysian ringgit	**4.7935**	**4.9340**	4.6371	4.5953
US dollar	**1.1413**	**1.2271**	1.1196	1.1234

CONVERSION OF ITEMS IN FOREIGN CURRENCIES

Transactions in currencies other than the Group's functional currency are recognised at the exchange rate prevailing at the date of the transaction. At the end of the year, monetary assets and liabilities denominated in currencies other than the euro are adjusted at the year-end exchange rate and the related exchange rate gains and losses are recognised through consolidated profit or loss.

BUSINESS COMBINATIONS

Business combinations in which control of an entity is acquired are reported in accordance with the provisions in IFRS 3 *Business combinations,* using the acquisition method. The acquisition cost, namely the consideration transferred, is represented by the fair value at the acquisition date of the assets transferred, the liabilities assumed, and any equity interests issued by the acquirer. The acquisition cost includes the fair value of any assets and liabilities in respect of contingent consideration. The costs directly attributable to the acquisition are expensed through profit or loss.

The acquisition cost is allocated by recognising the identifiable assets, liabilities and contingent liabilities at their fair value at the acquisition date and the amount of any non-controlling interest. Any difference with the net fair value of the identifiable assets and liabilities of the acquiree, is recognised as goodwill or, if negative, it is recognised

through profit or loss. The value of non-controlling interests is calculated in proportion to the investment held by third parties in the identifiable net assets, i.e. at their fair value at the acquisition date.
If the business combination is achieved in stages, the previously held equity interest is remeasured at fair value and any (positive or negative) difference recognised through profit or loss.
Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration, classified as a financial instrument pursuant to IFRS 9, are recognised through profit or loss. Contingent consideration classified as equity instruments are not remeasured and is recognised directly in equity.
If the fair values of the assets, liabilities and contingent liabilities are determined provisionally, the business combination is recognised using these provisional values. Any adjustments resulting from the completion of the valuation process are recognised within 12 months of the acquisition date, restating the comparative figures.
The goodwill that emerges from the acquisition of subsidiaries is the excess of the consideration paid, as measured at fair value on the acquisition date, over with the net fair value of the identifiable assets and liabilities. After initial recognition, goodwill is not subject to amortisation, but undergoes testing of its recoverable value at least once a year. For impairment testing purposes, the goodwill acquired in 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 synergies created with the combination, irrespective of the fact that other assets or liabilities of the acquiree have been allocated to these units.
A CGU is the smallest group of assets that generates largely independent cash flows. In the process of identifying the CGUs, management has taken into account the specific nature of the activity and the business it belongs to (business areas, legislative framework, etc.), verifying that the inward cash flows from a group of assets are largely independent of those 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 within 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 divested assets is included in the carrying amount of the asset when the gain or loss from the divestment is calculated. The goodwill associated with the divested assets is calculated on the basis of the values relating to the divested asset and the part retained by the cash generating unit.

SCOPE OF CONSOLIDATION

The scope of consolidation at 31 December 2020 has changed compared with the previous year due to the consolidation as from 2 January 2020 of ENAV España Control Aereo S.L.U. a non-operational company, following the acquisition of 100% of that company's share capital by the Parent Company in order to participate in a tender launched by the Spanish airport operator. As it did not win the tender, the Parent Company approved the liquidation of the company, which should take place in the early months of 2021. Consequently, the company has been classified under assets/liabilities held for sale, in accordance with IFRS 5, while the Sicta Consortium in liquidation was so classified in the comparative item.
In 2019, the scope of consolidation was modified by the inclusion in the scope of consolidation, as from 18 July 2019, of IDS AirNav S.r.l. following the acquisition of 100% of its share capital by the Parent Company. This transaction took placed following the transfer of the Air Navigation Division of IDS – Ingegneria dei Sistemi S.p.A. to IDS AirNav S.r.l on 28 June 2019, with effect from 2 July 2019.
Other developments included the reduction of the interest held in D-Flight S.p.A. from 100% to 60% with effect

from 28 February 2019, following the subscription of a capital increase with share premium by UTM Systems & Services S.r.l. in compliance with the obligations it had assumed in the tender process, thereby acquiring a stake of 40% in D-Flight S.p.A..
The companies included in the scope of consolidation are shown in the following table, which reports the value of their share capital at 31 December 2020 in thousands of euros and the percentage interest held:

						% PARTICIPATION	
Name	**Head-quarters**	**Office**	**Activities carried out**	**Currency**	**Conso-lidation Method**	**direct**	**Group**
Techno Sky S.r.l.	Rome	Services	Euro	Line-by-line	1,600	100%	100%
D-Flight S.p.A.	Rome	Services	Euro	Line-by-line	50	60%	60%
ENAV Asia Pacific	Kuala Lumpur	Services	Malaysian ringgit	Line-by-line	127	100%	100%
ENAV North Atlantic	Miami	Services	US dollar	Line-by-line	44,974	100%	100%
IDS AirNav S.r.l.	Rome	Services	Euro	Line-by-line	500	100%	100%
ENAV Espana Control Aereo	Madrid	Services	Euro	Line-by-line	4	100%	100%
Sicta Consortium in liquidation	Naples	Services	Euro	Line-by-line	1,033	60%	100%

ACQUISITION OF IDS AIRNAV S.R.L.

On 18 July 2019, the Parent Company completed the acquisition of 100% of IDS AirNav S.r.l. a company that develops and supports highly customisable commercial software solutions for customers in the aeronautical communications, navigation and surveillance and air traffic management sectors.
The price of acquisition was set at €41.1 million, against net assets with a carrying amount of €1.4 million. At the closing date, the price was set at €41,073 thousand, settled partially in cash in accordance with the agreements, in consideration of the mechanism providing for a subsequent price adjustment with deferral of payment until 2021. Within 60 days of the closing date, as required under the terms of the agreements between the parties, a definitive accounting statement was prepared as at 18 July 2019, from which a price adjustment in favour of the seller of €53 thousand was determined, giving rise to a final price of €41,126 thousand.
The allocation of the purchase price at 31 December 2019 provisionally determined the fair value of the assets acquired and the liabilities and contingent liabilities assumed. The main adjustments with respect to the carrying amount are attributable to:

- the order backlog, representing contracted revenues at the reference date, which were to other intangible assets in the amount of €5,939 thousand, as determined on the basis of an assessment consistent with the income method. The useful life of the backlog is 9 years, which was estimated on the basis of the deadlines specified in the contracts existing at the date of acquisition of control;

- customer relationships, which were allocated to other intangible assets in the amount of €3,061 thousand, based on an assessment consistent with the excess earnings method. The useful life of customer relationships is 15 years, determined as the year in which 90% of the undiscounted cash flows will have been realised;
- software, which was allocated to industrial patents and intellectual property rights in the amount of €8,619 thousand, based on an assessment consistent with the relief from royalty method. The useful life of the software is 5 years and was estimated considering the technical, technological and commercial obsolescence of the identified software.

As part of the adjustments to the purchase price at the time of allocation, deferred tax liabilities of €4,917 thousand also emerged, measured with respect to the adjustments of the intangible assets from the allocation of the purchase price.

In accordance with the provisions of IFRS 3, the fair values of the assets and liabilities acquired were determined at 31 December 2019 on a provisional basis and as there were not changes in the 12 months after the acquisition date, the associated fair values can be considered definitive.

Accordingly, the accounting situation at the acquisition date, as confirmed by the definitive allocation of the purchase price, remains the following:

	Carrying amount at 18.07.2019	Purchase price allocation adjustments	Carrying amount at 18.07.2019 post allocation
Property, plant and equipment	147	0	**147**
Intangible assets	1,910	17,619	**19,529**
Other non-current assets	145	0	**145**
Total non-current assets	**2,202**	**17,619**	**19,821**
Total current assets	**3,703**	**0**	**3,703**
Non-current trade payables	250	0	**250**
Severance pay and employee benefits	231	0	**231**
Deferred tax liabilities	0	4,917	**4,917**
Total non-current liabilities	**481**	**4,917**	**5,398**
Total current liabilities	**3,986**	**0**	**3,986**
Net assets acquired	**1,438**	**12,702**	**14,140**
Cost of the transaction	**41,126**	**0**	**41,126**
Goodwill	39,688	(12,702)	**26,986**

(thousands of euros)

4. Accounting standards

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at cost, net of depreciation and any impairment losses. The cost includes directly attributable ancillary costs incurred to prepare the asset for the use for which it was acquired. Cost incurred for major repairs or maintenance are recognised in the carrying amount of the equipment or machinery, where the recognition criterion is satisfied. All other repair and maintenance costs are recognised through profit or loss when incurred. In any event, the costs incurred after acquisition are recognised as an increase in the carrying amount of the item referred to if it is likely that the future benefits associated with the cost will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis, from the time the asset is available and ready for use, over the estimated useful life of the asset, which is reviewed annually. Any changes in the useful life will be made and applied prospectively. Depreciation takes account of any residual value of the assets. When the asset subject to depreciation is composed of separately identifiable parts whose useful life differs significantly from that of the other parts of the asset, each of these parts shall be depreciated separately, applying the component approach method.

The estimated useful lives of the main classes of property, plant and equipment are as follows:

Type	Description	Useful life (years)
Buildings	Buildings	**25**
	Extraordinary maintenance of buildings	**25**
	Light constructions	**10**
Plant and machinery	Radio systems	**10**
	Recording systems	**7**
	Synchronisation systems and control centres	**10**
	Manual and electromechanical plant	**7**
	Electrical plant and 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 machinery and telephone systems	7
	Furniture and office equipment	10
	Data processing equipment including computers	5
	Cars, motorcycles and similar	4
	Business aircraft	15
	Aircraft equipment and flight inspection systems	10

The carrying amount of property, plant and equipment is checked to detect any impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recovered. If there is such evidence and if the carrying amount exceeds the recoverable value, the assets are written down and recognised at their recoverable value. The recoverable value of property, plant and equipment is represented by the higher of the asset's fair value less costs to sell and its value in use.

For an asset that does not generate largely independent cash flows, the realisable value is calculated in relation to the cash generating unit to which this asset belongs. Impairment losses are recognised in the income statement under the item writedowns and impairment losses. These impairments are reinstated if the reasons that generated them disappear, within the limits of the net carrying amount 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 carrying amount) is recognised through profit or loss in the year of the above-mentioned derecognition. Measurement shall take account of the provisions of IFRS 15.

In accordance with IFRS 16, the rights of use connected with long-term leases are recognised under property, plant and equipment if the lessee has exclusive control of the leased asset and the right to obtain substantially all of the economic benefits deriving from its use.

The right-of-use asset is recognised entered at a value equal to the sum of the present value of the contractual outgoing cash flows, using the rate provided for in the lease or the lessee's incremental borrowing rate as the discount rate factor.

The right-of-use asset is depreciated over the non-cancellable period of the lease, which normally coincides with its term.

For long-term car rentals, the contract is divided into a lease component, the pure rental payment, and a non-lease component for maintenance services. The lease component is included in the right-of-use asset, while the non-lease component is charged profit or loss.

INTANGIBLE ASSETS

The intangible assets consist of identifiable non-monetary assets without physical substance that can be controlled and will generate future economic benefits. These assets are recognised at purchase cost or production cost, including any directly attributable ancillary costs necessary to prepare the assets for use, net of accumulated amortisation (with the exception of intangible assets with an indefinite useful life) and any impairment. Intangible assets acquired through business combinations such as goodwill are recognised at the fair value defined at the acquisition date, if this value can be calculated reliably. The costs of intangible assets generated internally are not capitalised and are recognised through profit or loss in the year in which they are incurred.

Amortisation starts at the time the asset is available for use and is allocated systematically over its residual useful life.

The useful life of intangible assets may be finite or indefinite.

Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful life and undergo impairment testing if there is evidence of possible impairment. The residual useful life is reviewed at the end of each year or more frequently if necessary. Changes in the expected useful life or in the manner in which future economic benefits from the intangible assets flow to the Group are reflected by changing the period and/or method of amortisation and treated as changes in accounting estimates.

The gain or loss arising from the disposal of an intangible asset shall be determined as the difference between the

net disposal proceeds and the carrying amount of the asset and they are recognised through profit or loss at the time of the disposal. Measurement shall take account of the provisions of IFRS 15.
Intangible assets with an indefinite useful life do not undergo systematic amortisation but rather undergo impairment testing at least once a year in order to identify any impairment losses, both at an individual level and at the level of the cash generating unit. Any change in the classification of an intangible asset from indefinite useful life to definite useful life is applied prospectively.
The Group does not recognise assets with an indefinite useful life with the exception of goodwill from business combinations.

INVENTORIES

Inventories, represented essentially by spare parts for air traffic control systems and equipment, are recognised at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula, which includes related ancillary costs. If inventories can no longer be used because they have become obsolete, they are written down through the provision for inventory losses, directly adjusting the value of the asset.

INVESTMENTS IN OTHER ENTITIES

Investments in other entities representing equity instruments are measured at fair value.
The Group has irrevocably elected to recognise changes in fair value under other comprehensive income, i.e. in a specific equity reserve, without recycling to profit or loss.

FINANCIAL ASSETS

At the time of initial recognition, financial assets are classified, depending on the asset, using the following measurement methods: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of assets and on the business model that the Group uses for their management. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures financial assets at their fair value plus transaction costs in the case of financial assets not recognised at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the price of the transaction determined in accordance with IFRS 15.
In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). This assessment is referred to as the SPPI test and is performed at the level of the instrument.
The Group's business model for the management of financial assets regards to the way in which financial assets are managed in order to generate cash flows. The business model is determined by whether the cash flows are derived from the collection of contractual cash flows, the sale of financial assets or both. The Group holds its financial assets to maturity.
For the purposes of the subsequent measurement, financial assets can be classified into four categories in accordance with IFRS 9: i) financial assets at amortised cost (debt instruments); ii) financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses (debt instruments); iii) financial assets at fair value through other comprehensive income without reclassification of accumulated gains and losses at the time of disposal (equity instruments); and iv) financial assets at fair value through profit or loss. The details of the financial assets applicable to the cases relevant to the Group are shown below.

The Group mainly recognises the categories of financial instrument indicated in points i) and iii) above.

The Group measures *financial assets at amortised cost* if both of the following requirements are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and undergo impairment testing. Gains and losses are recognised through profit or loss when the asset is eliminated, modified or revalued. Within the consolidated financial statements, financial assets at amortised cost include the following: current and non-current financial assets, current and non-current trade receivables and other current and non-current assets.

For financial assets at fair value through other comprehensive income in the form of equity instruments, at first-time application of IFRS 9, the Group irrevocably elected to recognise changes in the fair value in other comprehensive income, as these instruments met the definition of equity instrument pursuant to IAS 32 “Financial Statements: Presentation” and were not held for trading. The classification is determined for each individual instrument. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other revenues in the income statement when the right to payment has been established, except when the Group benefits from such income as part of the cost of the financial asset, in which case those profits are recognised in OCI. Equity instruments recognised at fair value through OCI do not undergo impairment testing.

The Group has elected to irrevocably classify its unlisted equity investment in this category and, consequently, recognises changes in fair value through OCI.

The carrying amount of financial assets not measured at fair value through profit or loss is reduced by the new expected loss introduced with IFRS 9. This model requires an assessment of expected losses based on the estimated probability of default, the percentage loss given default and credit risk. These assessment factors are determined using historical data, forward-looking information and information available from info providers, where such information can be obtained without undue cost.

For certain categories of financial assets at amortised cost, such as trade receivables and contract assets, the Group adopts the simplified approach to the new impairment model. This simplified approach is based on management of creditor positions by portfolio and on the division of receivables into specific clusters that take account of the specific nature of the business, the client’s operating status, past due information and the specific regulatory framework.

If the amount of an expected loss recognised in the past should decrease and the decrease can be linked to an event that occurred after the recognition of the expected loss, it is reversed to profit or loss.

Financial assets are derecognised when the right to receive the cash flows of the instrument has expired or substantially all the risks and rewards of ownership of the instrument have been transferred.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, unencumbered bank deposits and other forms of short-term investments not exceeding three months that can readily be converted into cash. At the reporting date, current account overdrafts are classified as financial debt under current liabilities in the consolidated statement of financial position.

DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument or other contract with the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The derivative financial instruments of the ENAV Group are represented by forward contracts in currencies held to hedge exchange risk. At the inception of the hedge, the Group formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued, in line with IFRS 9.

The documentation prepared in accordance with IFRS 9 includes the identification of the hedging instrument, the hedged item, the nature of the risk and how the Group assesses whether the hedge relationship meets the hedge effectiveness requirements. The hedge relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

At the date the contract is signed, derivative financial instruments are measured at fair value both at initial recognition and at each subsequent measurement. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivative instruments are classified as current or non-current depending on their expiry date and the Group's intention continue to hold or not to hold these instruments until expiry.

Having met the requirements described above, hedge accounting is applied to transactions undertaken to hedge the Group against exposure to the risk of variations in the cash flows associated with an asset, liability or highly probable forecast transaction. Accordingly the portion of the gain or loss on the hedging instrument attributable to the effective portion of the hedge is recognised in other comprehensive income in a specific shareholders' equity reserve denominated the cash flow hedge reserve, while the ineffective portion is recognised directly in the income statement under other revenues and income or other operating costs.

The amounts recognised in other comprehensive income are later reclassified to profit or loss when the hedged transaction impacts profit or loss, such as, for example, as a result of a disposal or a writedown.
If the hedging instrument is sold, expires, is cancelled or exercised without replacement, or it no longer qualifies as an effective hedge of the risk for which the transaction was initiated, the portion of the cash flow hedge reserve relating to it is maintained until the effects of the underlying contract are manifested.
When a forecast transaction is no longer deemed probable, the gains profits or losses recognised in equity are reclassified immediately to profit or loss.
With reference to the calculation of fair value, the Group operates in compliance with the requirements of IFRS 13 where such criterion is required by international accounting standards for recognition and/or measurement or in order to provide additional information with regard to specific assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value of instruments listed on public markets is given by their bid prices at year-end.
The fair value of unlisted instruments is measured using financial valuation techniques.
Financial assets and liabilities measured at fair value are classified in the three hierarchical levels described below, based on the type of information used in calculating the fair value. In particular:

- Level 1: *fair value* calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: *fair value* calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: *fair value* calculated using valuation techniques employing unobservable inputs for the asset or liability.

For assets and liabilities measured at fair value on a recurring basis, the Group determines whether there has been a transfer between the levels indicated above, identifying the level at the end of each accounting period as the lowest level input that is significant to the entire measurement.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if the carrying amount will mainly be recovered through sale or liquidation rather than through continuing use.
This condition is considered to have been met when the sale or liquidation is highly probable and the non-current asset (or disposal group) is held for immediate sale in its current condition to be completed within 12 months of the date it was classified as a non-current asset held for sale.
Non-current assets held for sale, current and non-current assets in disposal groups and directly associated liabilities are recognised in the statement of financial position separately from other assets and liabilities.
Immediately before the classification as held for sale, assets and liabilities in a disposal group are measured in accordance with the accounting standards applicable to them. Subsequently, these net assets are not subject to amortisation or depreciation and they are measured at the lower of carrying amount and fair value.

FINANCIAL LIABILITIES

Financial liabilities are classified at the time of initial recognition under financial liabilities at fair value through profit or loss, loans and receivables, or derivatives designated as hedging instruments. All financial liabilities are initially recognised at fair value, plus, in the case of loans and payables, any transaction costs directly attributable to them. The Group's financial liabilities include trade payables and other liabilities and loans, including current account overdrafts.

The subsequent measurement approach adopted for financial liabilities depends on their classification. More specifically, financial liabilities at fair value through profit or loss include liabilities held for trading and comprise those assumed with the intent of extinguishing them or transferring them in the short term.
Financial liabilities classified as loans and receivables, which are the most common financial liabilities held by the Group, are measured at amortised cost using the effective interest rate method. Gains and losses are recognised through profit or loss when the liability is extinguished as well as through the process of amortisation.
Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is reported under financial expense in the income statement.
Trade payables and other financial liabilities are classified as current liabilities except when the contract will expire more than twelve months after the reporting date, in which case they are classified as non-current liabilities.
Financial liabilities are derecognised when they are extinguished, or when the obligation specified in the contract is discharged.
Following the entry into force of IFRS 16, current and non-current financial liabilities also include financial liabilities representative of the present value of lease payments to be paid to the lessor under long-term leases, with the right of use being recognised under property, plant and equipment.

EMPLOYEE BENEFITS

Employee benefits are all forms of consideration paid by the Group for service rendered by employees.
Short-term employee benefits are represented by wages, salaries, social security contributions, indemnities in lieu of holidays and incentives paid in the form of a bonus payable within twelve months of the reporting date. These benefits are accounted for as components of personnel costs in the period in which the service was provided.
Post-employment benefits are divided into two types: defined-benefit plans and defined-contribution plans. Defined-benefit plans are plans under which the employer is committed to paying the necessary contributions sufficient to guarantee the payment of fixed future pension benefits to employees, with the employer assuming the actuarial risk. Since the amount of the benefit to be paid under a defined-benefit plan can only be quantified after the termination of the employment relationship, the related financial effects are recognised on the basis of actuarial calculations performed in conformity with IAS 19. Defined-contribution plans are plans whereby the employer pays fixed contributions into a fund. The obligation of the employer is extinguished with the payment of contributions to the fund and the actuarial risk is borne by the employee. In defined-contribution plans, the contribution costs are recognised in profit and loss when they are incurred at their nominal value.
Employee severance pay (Italy's *trattamento di fine rapporto* system, or TFR) due to employees pursuant to Article 2120 of the Italian Civil Code accrued up to 31 December 2006 is treated as a defined-benefit plan, while severance pay accrued with effect from 1 January 2007, in compliance with Law 296 of 27 December 2006, has been credited to supplementary pension funds or the treasury fund established by INPS (Italy's National Social Security Institute) on the basis of the implicit and explicit choices made by employees. The liability is projected to the future using the projected unit credit method in order to calculate the probable amount to be paid at the time of termination of employment, and is then discounted to take account of the time that will elapse before the effective payment. The liability recognised in the financial statements is based on the conclusion reached by actuaries external to the Group. The calculation takes account of the severance entitlement accrued for service already rendered and is based on actuarial assumptions mainly comprising: demographic factors (such as employee turnover and mortality) and financial factors (such as the inflation rate and the discount rate for maturities consistent with the expected date of termination). The value of the liability recognised in the financial statements is, therefore, in line

with the actuarial measurement, and actuarial gains and losses resulting from the calculation are allocated directly to shareholders' equity under other comprehensive income in the period in which they arise, taking account of the related deferred tax effects.
The severance pay due to employees pursuant to Article 2120 of the Italian Civil Code accrued since 1 January 2007 and mandatorily credited to a supplementary pension fund or to the treasury fund at INPS is considered a defined-contribution plan. These plans are managed by third-party fund managers, in relation to which the Group has no obligation. The Group pays contributions, recognising them through profit or loss when they are incurred at their nominal value.
Termination benefits are paid to employees for 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 retirement date, or when an employee or a group of employees decides to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised immediately under personnel costs.

LONG-TERM SHARE-BASED INCENTIVE PLAN

Long-term share-based incentive plans, in conformity with IFRS 2, are a component of remuneration for the beneficiaries involving payment in the form of equity instruments (equity-settled share-based payment transaction). The cost of such plans is represented by the fair value of those instruments calculated at the grant date, and it is recognised under personnel costs over the period between the grant date and the vesting date, with a matching entry in the stock grant reserve under shareholders' equity. The overall estimated amount is deferred over the vesting period, and personnel costs and the corresponding increase in equity are periodically recognised as a portion of the estimated amount.
The estimated cost should be reviewed during the vesting period if subsequent information indicates that the number of instruments that will vest at the end of the vesting period will differ from the original estimates. The change in the estimate will, if necessary, be recognised as an adjustment in the stock grant reserve, with a matching entry in personnel costs.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised for losses and charges that an entity will certainly or probably incur but whose amount and/or timing are uncertain. Provisions are only recognised when there is a current obligation (legal or constructive) arising from a past event, the settlement of which is expected to result in an outflow of resources to discharge the obligation, and when it is possible to reliably estimate the amount.
Where the effect of the time value of money is material and the payment dates of the obligations can be reliably estimated, the provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When the provision is discounted, the periodic adjustment of the fair value associated with the time value of money is reflected in profit or loss as financial expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised as a separate asset when it is virtually certain that reimbursement will be received.
Changes in the estimates for provisions are recognised in profit or loss in the period in which the change takes place and produce an increase in liabilities. Reductions in estimates are recognised in liabilities up to the carrying amount and any excess is recognised through profit or loss under the same item they refer to.
The amounts recognised in the provision for risks and charges are separated into current and non-current amounts

based on when the liability is expected to be paid or extinguished.
Risks for which the recognition of a liability is only possible are disclosed and no provision is made.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenues are recognised at the consideration received or receivable, net of discounts and rebates, and are recognised when the entity satisfies a performance obligation to transfer a good or a service to a customer, in accordance with the provisions of IFRS 15. The transfer takes place when the customer obtains control of the good or service, i.e. when the customer has the ability to direct its use and obtain substantially all the benefits. Control can be transferred at a certain point in time or over time, assessing the transfer using appropriate methods for measuring progress (output and/or input methods)
The transaction price also considers (using the expected value and/or most likely amount methods) variable components of the consideration when it is highly probable that there will not be a significant reversal of the revenue in the future. Transactions are also adjusted to take into account the time value of money.
The Group's revenues are summarised below, broken down by nature:

- regulated market: two separate performance obligations to satisfy over time in the context of en-route and terminal streams. Progress is measured using the output method based on service units generated in en-route and terminal services and balances represent the variable consideration, factored into the transaction price of each performance obligation, attributable to the services provided within the en-route and terminal streams, making it possible to measure the actual value of the performance delivered to the customer, adjusted appropriately to take account of the time value of money;
- non-regulated market: revenues are broken down by type of transaction, such as the sale of licenses and provision of services, flight inspection, aeronautical consulting, technical and engineering services, training and other revenues. Revenues recognised over time are limited mainly to aeronautical consulting and the provision of services, including the maintenance of software solutions already sold. The sale of software licenses is recognised only after the product has been physically delivered to the customer.

BALANCES – REVENUES FROM CONTRACTS WITH CUSTOMERS

The countries that belong to Eurocontrol used an en-route charging system until 31 December 2011 known as cost recovery. This system was based on the criterion 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 unit rates were kept at the value that made it hypothetically possible to achieve break-even. At the end of the year, if revenues were 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 recognition of a balance payable. If, on the other hand, revenues were lower than the costs incurred, greater revenue would be recognised 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 to adjust the amount of revenues to the effective billable costs incurred. The effects of this mechanism were reflected for rate purposes starting from the second year after the reference year and taken to profit or loss with the opposite sign of the balance recognised.
From 1 January 2015 this cost-recovery mechanism applied exclusively to terminal Charging Zone 3.
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 financial performance, 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 achieved in the reference period are set out. These efficiency targets involve the introduction of risk elements to be borne by providers, and therefore the Parent Company, with regard to both traffic and costs. In the wake of the COVID-19 pandemic and the significant impact it has had on the air transport sector, the European Commission adopted a number of exceptional measures for the third reference period with Implementing Regulation (EU) 2020/1627 of 3 November 2020 (2020-2024) concerning the Single European Sky performance and charging scheme, introducing a number of rules partially derogating from Implementing Regulation (EU) 2019/317 for that period. This Regulation introduced specific provisions concerning 2020 and 2021, which are considered as a single period, effectively suspending for that period the traffic risk-sharing mechanism in place since 2012. Under the provisions of Regulation (EU) 2020/1627 of 3 November 2020, balance revenues, which are determined on the basis of the actual performance provided in respect of Eurocontrol, shall be measured on the basis of the determined costs for 2019, reduced by a certain percentage for 2020-2021 depending on the performance target. In determining the cost-efficiency performance targets, the actual costs incurred by air navigation service providers should be taken into account. The balances that emerge from this calculation must, on an exceptional basis, be recovered over a period of five years, which can be extended to seven years, starting from 2023. Although the Regulation addresses en-route revenues, ENAV has extended its application to include terminal revenues for Charging Zones 1 and 2. The adjustment of en-route and terminal revenues will be charged to the item "Balances for the year".

The receivable and payable components of the balance, whether current or non-current, are classified under current and non-current trade receivables in the manner of contract assets/liabilities consistent with IFRS 15. The associated receivable/payable in respect of the balance is identified separately in the explanatory notes.

For both terminal services and en-route services, the "Balances for the year" item makes it possible to represent the volume of revenues corresponding to the performance effectively delivered during the reference period, which, as a result of the nature of the specific charging mechanisms, can only be settled ex post. In other words, the reductions or increases in revenues make it possible to recognise revenues for the reference period at the fair value of the consideration accrued as a result of the performance achieved.

The "Balances for the year" will be reflected in rates as indicated by the European Commission, while in the year ending the receivable/payable balance is recognised in profit or loss through the item "Balance utilisation" and included in the rate for the year.

Bearing in mind that the recovery of asset and liability balances is deferred in time and takes place on the basis of the plans to recovery balances through adjustments to unit rates, in accordance with IFRS 15, the Parent Company takes account of the time value of money in measuring those revenues, with initial recognition at their present value and subsequent recognition of accrued financial income/expense until their incorporation in rates.

If the balance recovery plans are changed, the Group adjusts the value of the balance receivable/payable in order to reflect the effective and recalculated estimated cash flows. The carrying amount is therefore recalculated by computing the present value of the future cash flows recalculated by applying the original interest rate. The resulting difference, in addition to adjusting the value of the balance receivable/payable, is recognised through profit or loss under financial items. As it involves a revision of the estimates after obtaining new and additional information, the change in balance recovery plans does not involve the restatement of balances for previous financial statements but it does require the prospective application of the changes.

The balance also includes a significant financing component, with a time horizon of more than 12 months. For this reason, the Group adjusts the transaction price to take account of the time value of money. The receivables and payables for balances, limited to the amounts recognised in the year, represent variable consideration, or contract assets/liabilities, which will be incorporated in unit rates in the future. The receivables and payables for balances included in unit rates for the year represent the draw-down at the time of invoicing of the contract assets/liabilities mentioned above. These contract assets/liabilities are classified under current and non-current trade receivables/payables, and are reported separately in the explanatory notes.

GRANTS

Operating grants are recognised in the year in which the right to receive them becomes reasonably certain, irrespective of the date they are received.

Government capital grants are recognised if the grantor has made a formal award decision and only if, based on information available at year-end, it is reasonable certain that the project for which the grant is being made will actually be carried out and that the grant will be received. Government capital grants are recognised in a dedicated item under current and non-current liabilities, depending on the timing of their disbursement and they are reversed to the income statement as income at constant rates calculated with reference to the useful life of the asset to which the grant directly refers, thereby ensuring a correlation with the depreciation rates for those assets.

DIVIDENDS

Dividends received from investments in other companies not consolidated on a full line-by-line basis are recognised through profit or loss at the time at which the unconditional right of shareholders to receive the payment, which is normally the resolution of shareholders' meeting authorising the distribution of dividends, is established.

COSTS

Costs are recognise when they involve goods and services sold or consumed in the year or through systematic allocation over a longer period until no future utility can be identified.

Costs are recognised in profit or loss at the same time as the decrease in the economic benefits associated with a reduction in an asset or an increase in a liability if this decrease can be reliably calculated and measured.

FINANCIAL INCOME AND EXPENSE

Financial income and expense is recognised on an accrual basis on the basis of the interest accrued on the net value of the associated 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, to the net carrying amount of the asset or liability. Interest income is measured to the extent that it is likely that the economic benefits will flow to the Group and the amount can be reliably measured.

INCOME TAXES

Current IRES (corporate income tax) and IRAP (regional business tax) taxes are calculated on the basis of the best estimate of 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 respect of all temporary differences that emerge between the values recognised in the financial statements and the corresponding values calculated for tax purposes, applying the tax rate in force at the date on which the temporary difference will reverse, as determined on the basis of the tax rates set out in applicable regulations or essentially in force at the reference date. Deferred tax assets for all temporary differences that can be deducted in future years are only recognised when their recovery is likely, or if it is expected that sufficient taxable income will be generated 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 taxable income (tax loss).

Current taxes, deferred tax assets and deferred tax liabilities are recognised through profit or loss, with the exception of those relating to items directly debited or credited to components of other comprehensive income, which are recognised in equity. In such cases the tax effect is directly attributable to the components of other comprehensive income in equity.

Deferred tax assets and liabilities in respect of taxes levied by the same taxation authority are offset if there is a legally enforceable right to set off the current tax assets against the current tax liabilities generated at the time of their reversal.

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

Taxes and duties not related to income are recognised in the income statement under other operating costs.

RELATED PARTIES

Related parties are identified by the ENAV Group in accordance with IAS 24. Generally speaking, related parties 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, standing members of the Board of Auditors and their immediate family, key management personnel and their immediate family, of the Parent Company and companies controlled directly or indirectly by the latter.

Related parties outside of the ENAV Group include the supervising Ministry, namely the Ministry of Infrastructure and Sustainable Mobility (formerly the Ministry of Infrastructure and Transport, or MIT), and the controlling Minis-

try, namely the Ministry for the Economy and Finance (MEF), entities under the control, including joint control, of the MEF and associated companies.
For a detailed analysis of related-party transactions, please see to Note 33 of the consolidated financial statements.

OPERATING SEGMENTS

In accordance with IFRS 8, an operating segment is a component of an entity: i) that engages in business activities from which it may earn revenues and incur expenses; ii) whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment; iii) for which discrete financial 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 three operating segments (air navigation services, maintenance services and AIM software solutions) coinciding with the cash generating units (CGU). A fourth operating segment of a residual nature is also present, which includes operations connected with minor activities that do not fall within the scope the main operating segments subject to monitoring.
The information for the operating segments for 2020, with the comparative figures for 2019, is provided in Note 32 “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 loss attributable to the owners of the ordinary equity instruments of the Parent Company and the weighted average number of outstanding ordinary shares during the year.
The basic earnings coincide with diluted earnings in view of the fact that as of the date the financial statements are prepared there are no potential ordinary shares, i.e. instruments that have not yet given rise to the issue of shares with potential dilutive effects despite the existence of the legal conditions for doing so.

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

In accordance with the IAS/IFRS, the preparation of the consolidated financial statement requires management to make accounting estimates based on complex and/or subjective judgements, evaluations, estimates based on historic experience and assumptions considered to be reasonable and realistic in view of the related circumstances and on the information available at the time of the estimate. The application of these estimates and assumptions influences the carrying amount of assets and liabilities and the disclosures 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. Actual results could differ from estimated results as a result of the uncertainty in the assumptions and conditions on which the estimates are based. The estimates and assumptions are reviewed periodically and the effects of each change are reflected in the accounts in the period in which the review of the estimate takes place, if the revision only affects the current period, or also in subsequent periods if the revision affects the current period and future periods.
In compliance with the recommendations issued by ESMA on 28 October 2020 and referred to by CONSOB on 16 February 2021 with regard to the impact of the COVID-19 pandemic, this section also reports the areas most affected by estimates and judgments that may have had greater impact as a result of the health emergency. Particular attention was paid to assessing the recoverability of receivables, the value retention of assets and goodwill and determining the balance for the year. Furthermore, in the preparation of the consolidated financial statements, the conditions for operating as a going concern were assessed and it can be reasonably affirmed that the Group will continue to operate in the foreseeable future with a long-term perspective. In the case of future changes in estimation processes, disclosures will be provided about the methodological changes with effect from the year in which that change could have an impact in the presence of certain additional elements and/or factors. Such changes in the conditions underlying the assumptions and judgements could have a significant impact on the consolidated figures.
In order to enhance understanding of the financial statements, the main financial statement items or accounting circumstances which could significantly affected by management judgements are reported below, highlighting the main assumptions adopted in the evaluation process, in compliance with international accounting standards.

MEASUREMENT OF REVENUES FOR BALANCES

As described in the Accounting Policies section, in the wake of the COVID-19 pandemic and the significant impact it has had on the air transport sector, the European Commission adopted exceptional measures for the third reference period with Implementing Regulation (EU) 2020/1627 of 3 November 2020 (2020-2024) concerning the Single European Sky performance and charging scheme, introducing a number of rules partially derogating from Implementing Regulation (EU) 2019/317 for that period. More specifically, the Regulation introduced specific provisions concerning 2020 and 2021, which are considered as a single period, effectively suspending the classic

calculation of the balance based on traffic risk. Under the provisions of the Regulation, balance revenues, determined on the basis of effective performance delivered in respect of Eurocontrol, will be measured on the basis of the determined costs for 2019, reduced by a percentage based on the initial proposal of the European Commission, supported by the Performance Review Body (PRB), which is still subject to negotiation and approval by the Member States. On the basis of the draft regulations currently available, the adjustment for the balance will be determined on the basis of an efficiency target linked to 2019 determined costs. The proposal of the European Commission, supported by the PRB, provides for actual determined costs for 2020-2021 to be reduced by a percentage representing the efficiency target of 10%. In view of the fact that under the provisions of Regulation (EU) 2020/1627 the targets will be determined and published by 1 May 2021 after completion of the negotiating process under way with the Member States, which could produce a different efficiency levels than that indicated in the above proposal. Following publication, the air navigation service providers and the Member States will be required to draft the new Performance Plan, which must be submitted to the Commission by October 2021 for approval. Note that the balances that emerge from this calculation must, on an exceptional basis, be recovered over a period of five years, which can be extended to seven years, starting from 2023. As discussed in the Report on Operations, following publication, the providers and the Member States will have to prepare the new Performance Plan to be sent to the Commission by October 2021. In the new Plan, in line with the new performance targets, the European providers will have to plan their own cost and traffic levels in order to determine unit rates for the 2022-2024 period.
The final approval of the RP3 Performance Plans was postponed to 2021, following the determination of new cost-efficiency targets.
At 31 December 2020, following an estimation process that, by its very nature and in view of the foregoing considerations, is exposed to uncertainty, the Board decided to adopt a prudential approach, using the European Commission's proposal as a basis even if it has not yet been adopted, determining the balance at 31 December 2020 as the ratio between revenues deriving from en-route and terminal services realised in 2020 and the actual determined costs for 2020, reduced to take account of the proposed cost-efficiency target (-10% compared with actual 2019 determined costs) advanced by the Commission. The balance will be recovered over a period of five years, starting from 2023, in accordance with the Regulation of the European Commission. The judgment exercised by management concerning the variable component of the balance, although affected by significant uncertainty connected with the possible contractual modifications discussed earlier, which could produce different quantifications of that variable component, is based on the most reliable information available to date to estimate the balance component accrued at 31 December 2020. Note 25 *Revenue from contracts with customers* provides additional information on the assessments performed by the ENAV Group.

FAIR VALUE MEASUREMENT OF EQUITY INSTRUMENTS

At each balance sheet date, the Group updates the fair value of the equity instruments for which it has made an irrevocable election to recognised the related adjustments to OCI in a specific equity reserve. With reference to the fair value measurement of the investment in Aireon LLC, the analysis conducted by management requires the assessment of a series of internal and external inputs such as: a review of the annual budget, an examination of the long-term financial plan and an analysis of the main market indicators. The evaluation requires extensive use of significant estimates and assumptions by management. In particular, the estimate of the fair value of Aireon was performed on the basis of the results of the 2019-2033 financial plan (the "Plan"), approved on 26 February 2021 by the board of directors of Aireon and updated by management. More specifically, the valuation model is based on the following main assumptions :

- the equity value, determined from the equity-side perspective on the basis of the distributable dividends drawn from that Plan. These dividends were determined on the basis of the explicit valuation period, beyond which it was assumed that the Company will generate a sustainable cash flow at a nominal average growth rate (g-rate) in the long term (terminal value);
- the discount rate used is the cost of capital (Ke) of 14.85%, calculated using the Capital Asset Pricing Model (CAPM) method.

Note 9 *Investments in other entities* , provides additional information on the impact of the assessments performed by the ENAV Group.

IMPAIRMENT OF ASSETS AND CASH GENERATING UNITS

An asset is impaired if the carrying amount of the asset or a cash generating unit (CGU) is greater than its recoverable value (equal to the greater of the fair value of an asset or cash generating unit less costs to sell and its value in use). A CGU is the smallest group of assets that generates largely independent cash flows. In the process of identifying the CGUs, management has taken into account the specific nature of the activity and the business it belongs to (business areas, legislative framework, etc.), verifying that the inward cash flows from a group of assets are largely independent of those 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 within the scope of its business model.

The number and scope of CGUs are systematically monitored to take account of any external factors that could influence the capacity of groups of corporate assets to generate independent cash flows or in order to allocate the effects of any new business combination or reorganisation operation carried out 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 ENAV S.p.A. whose core business is providing air traffic control and management services and other essential air navigation services in Italian airspace and at the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and upgrading the technology infrastructure of air navigation systems;
- 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.
- AIM software solutions: this CGU coincides with the subsidiary IDS AirNav S.r.l. whose core business is the development of software solutions for aeronautical information management and air traffic management and the provision of associated commercial services, for a range of customers in Italy, Europe and around the world.

Management conducted impairment testing of the goodwill generated by the business combinations, i.e. the acquisition of 100% of the share capital of Techno Sky, whose goodwill was allocated entirely to the Maintenance Services CGU, and the acquisition of the 100% of the share capital of IDS AirNav, whose goodwill was allocated to the AIM Software Solutions CGU.

Performing the impairment test required management to make significant estimates. Any changes in the assumptions and inputs used could result in significant changes regarding the recoverable value of the CGU.

For both the Maintenance Services CGU and the AIM Software Solutions CGU, the discounted cash flows refer to a time horizon of four years (2021 - 2024) and are taken from the business plans approved by their respective boards of directors and by the Parent Company, taking due account of the approved budget for 2021. For the explicit forecast period, these flows are formulated on the basis of hypothetical assumptions and associated with the expectations for the development of the business, while the years following the explicit period use assumptions about long-term sustainable profitability to enable operational continuity (growth rates and other factors linked to macroeconomic dynamics).

The assumptions adopted by management for the estimation of "normalised" net operating cash flow are the following for the Maintenance Services CGU and the AIM Software Solutions CGU:

- definition of NOPAT (Net Operating Profit After Taxes) on the basis of the average for the four-year explicit forecast period (2021-2024);
- depreciation is aligned with investments to maintain fixed capital;
- working capital with balance of zero;
- the growth rate of operating cash flows after the explicit period in perpetuity, used to determine the residual value (g rate), has been estimated at 0.8% in line with the revision of the growth forecasts for Italy under current macroeconomic conditions.

In particular, the estimate of the growth rate (g rate) is influenced by the judgements and assumptions made by management, which consider internal and external information inputs, the latter being characterised by a degree of uncertainty, for example: examination of the annual budget, examination of the long-term financial plan and analysis of the main market indicators.

In determining the value in use, the expected future cash flows are discounted using a discount rate, the estimation of which is affected by the judgements and assumptions made by management, and which reflects current market assessments of the time value of money and the specific risks of operations. In particular, the discount rate was constructed according to the main following assumptions: the free risk, the country risk premium and the market risk premium were determined on the basis of data observable on the market, the beta was based on an estimate determined on the basis of a sample of comparable companies and, given the characteristics of Techno Sky, a full-equity financial structure was assumed.

See Note 8 Intangible assets for information on the results of impairment testing.

DETERMINING USEFUL LIFE

The depreciation and amortisation of property, plant and equipment and intangible assets is recognised on a straight-line basis over the estimated useful life of each asset. The useful life is calculated at the time the assets are acquired and is based on historical experience with similar investments, market conditions and forecasts involving future events that could have an impact on the useful life. Actual economic life may therefore differ from the estimated useful life. The Group evaluates technological changes annually in order to update the residual useful life. This updating could involve a change in the depreciation/amortisation period and therefore also the depreciation/amortisation charge for the year and future years.

The useful life of the intangible assets identified as a result of the IDS AirNav purchase price allocation process (PPA) was determined in accordance with the criteria used in the assessment of the fair value of the net assets acquired.

RISK PROVISIONS

The Group recognises provisions for probable liabilities attributable to disputes and litigation with personnel, suppliers, third-parties and, in general, other charges in respect of obligations undertaken. The calculation of the risk provisions involves making estimates based on the current knowledge of factors that could change over time, potentially leading to final outcomes that could differ significantly from those taken into consideration in the preparation of the consolidated financial statements.

PROVISION FOR DOUBTFUL ACCOUNTS AND PROVISION FOR INVENTORY LOSSES

The provisions for doubtful accounts for inventory losses respectively reflect the estimates of losses on Group receivables in accordance with the expected credit loss (ECL) model introduced with IFRS 9 and the estimate for spare parts that have become obsolete and can no longer be used.
In order to take account of the effects of COVID-19 on the impairment of trade receivables, the model adopted by the Group was updated specifically, based on the deterioration of the creditworthiness of a basket of companies representing the air transport sector. This led to the recognition of a number of writedowns, identified on the basis of the information available.
Although the provisions are considered appropriate, the use of different assumptions or changes 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

The accounting standards adopted in the preparation of the consolidated financial statements at 31 December 2020 are in consistent with those used for the preparation of the consolidated financial statements at 31 December 2019. The amendments and interpretations applied for the first time in 2020 did not have an impact on the consolidated financial statements. The Group has not opted for early adoption of any new standard, amendment or interpretation issued but not yet in force.

NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT DID NOT HAVE AN IMPACT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The following is a list of the new accounting standards, amendments and interpretations applicable to the Group as from 1 January 2020 with no impact on the Group's consolidated financial statements at 31 December 2020:

- *Amendment to references to the conceptual framework in IFRS standards* – issued on 29 March 2018 and endorsed on 29 November 2019. The new IFRS conceptual framework will replace the framework issued in 1989, already partly revised in 2010. The new framework will be applicable from 1 January 2020. This update will not amend existing standards and interpretations, but rather introduce cross-cutting definitions to various standards, guidance and parameters with regard to the concepts of measurement, presentation and disclosure and derecognition. In addition, the definitions of assets and liabilities and their recognition criteria will be updated and the general criteria for the preparation of financial statements for IFRS adopters will be clarified, with special reference to the concepts of prudence, stewardship, measurement uncertainty, and substance over form.
- *Amendment to IAS 1 and IAS 8: Definition of Material* – issued on 31 October 2018 and endorsed on 29 November 2019. The amendments to the standards regard a new definition of materiality, under which information is material if omitting, misstating or obscuring it could reasonably be expected to influence the financial decisions

that stakeholders on the basis of that information. The concept of materiality depends on both the nature and magnitude of the information.

- *Amendment to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform,* issued on 26 September 2019 and endorsed on 15 January 2020. The amendments concern issues affecting financial reporting in the periods preceding the replacement of an existing benchmark index with an alternative interest rate. These amendments provide guidance about the highly probable and forward-looking assessments required by IFRS 9 and IAS 39 for hedging relationships which are impacted by the uncertainties of the IBOR reform. For the same reason, the amendments provide indications concerning retrospective assessment in accordance with IAS 39. The exceptions described in the amendments only apply to hedging relationships directly affected by the uncertainties of the IBOR reform.
- *Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions,* issued on 28 May 2020, endorsement pending. The IASB issued amendment in order to simplify the accounting treatment of the impacts associated with the COVID-19 emergency for lessees in the event of temporary reductions in rental payments on leased assets. In particular, the amendment exempts lessees from considering whether rent concessions obtained as a consequence of the COVID -19 pandemic represent a lease modification or not, and therefore allows lessees to account for such concessions as if they do not represent a modification of the lease. The amendments apply to rent concessions granted as a result of the current global pandemic if the concessions result in a reduction in payments due on leases before 30 June 2021.
- *Amendment to IFRS 3 Business Combinations* – issued on 22 October 2018 and endorsed on 21 April 2020. The amendments to the standard mainly regard the definition of business, in order to support entities in identifying the demarcation line between business combination and acquisition of a group of assets. More specifically, the amendments: a) clarify that a business must include at least an input and a substantive process that together significantly contribute to the ability to create outputs; b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments to IFRS 3 have been prompted by the commitment to achieve a desirable convergence between FASB and IASB and to make financial disclosures prepared with the different reporting flows comparable.

NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TAKING EFFECT FOR PERIODS AFTER 31 DECEMBER 2020 AND NOT ADOPTED EARLY BY THE GROUP

The following is a list of new accounting standards, amendments and interpretations that will be applied by the Group in annual accounting periods after that ending 31 December 2020. The Group will assess the expected impact of their first-time adoption:

- *Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2*, issued on 27 August 2020 and endorsed on 13 January 2021. The amendments for phase 2 address issues that could affect financial reporting when changing the interest rate, including the effects of changes in contractual cash flows or hedging relationships resulting from the replacement of an interest rate benchmark with an alternative rate (replacement issues).
  The amendments will take effect for reporting periods that begin on or after 1 January 2021.
- *Amendment to IAS 1: Classification of Liabilities as Current or Non-current* – issued on 23 January 2020, with deferral of initial application issued on 15 July 2020. With this amendment, the IASB modified paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by the right to defer settlement, that this right must exist at the end of the financial year and that classification is unaffected by the likelihood that an entity will exercise its deferral right. Finally, the amendment also clarifies that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
  The amendments will take effect for annual reporting periods beginning on or after 1 January 2023. The Group is monitoring the discussions under way within the IFRS Interpretations Committee.
- *Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use* – issued on 14 May 2020, with endorsement expected in the second half of 2021. These amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. An entity shall recognise the proceeds from the sale of these items, and the costs to produce them, in profit or loss.
  The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2022. Entities are required to apply the amendments retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments.
- *Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of fulfilling a contract* – issued on 14 May 2020, with endorsement expected in the second half of 2021. The amendments clarify which costs must be considered by an entity in assessing whether a contract is onerous, i.e. loss-making. The amendment provides for the application of a "directly related costs approach". Costs that relate directly to a contract for the supply of goods or services consist of both incremental costs and other costs that relate directly to fulfilling contracts. General and administrative costs are not directly related to a contract and are excluded unless they are explicitly charged to the counterparty under the terms of the contract.
  The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2022.
- *Annual Improvements 2018-2020* – issued on 14 May 2020, with endorsement expected in the second half of 2021. As part of the cycle of improvements of accounting standards, the IASB published an amendment of IFRS 1 First Time Adoption, which permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure the cumulative translation differences at the amounts that would be included in the parent's consolidated financial statements, based on parent's date of transition to the IFRSs. The amendment also applies to associates

and joint ventures. The IASB also amended IFRS 9, clarifying that the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. In particular, these include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity shall apply the amendment to financial liabilities that are modified or traded subsequent to the date of the first reporting period in which the entity applies the amendment for the first time.
The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2022. Early adoption is permitted.

- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies* – issued on 12 February 2021. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. More specifically, an n entity is now required to disclose its material accounting policy information instead of its significant accounting policies and several paragraphs are added to explain how an entity can identify material accounting policy information, which may be material because of its nature, even if the related amounts are immaterial. Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. In addition, IFRS Practice Statement 2 was amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.
  The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2023.
- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* – issued on 12 February 2021. The amendments introduce a definition of accounting estimates to replace the concept of changes in accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Entities develop an accounting estimate if an accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. Furthermore, the Board clarifies that a change in an accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period error. A effect of a change in an accounting estimate is recognised in profit or loss in the period of the change, if the change affects that period only or the period of the change and future periods, if the change affects both. The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2023.
- *Amendments to IFRS 3: Reference to the Conceptual Framework* – issued on 14 May 2020, endorsement pending. In May 2020, the IASB published amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, in the definitions of assets and liabilities with references to the Conceptual Framework for Financial Reporting published in March 2018 without significantly changing its provisions. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.
  At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.
  The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2022.

Notes to the consolidated statement of financial position

7. Property, plant and equipment

The table below shows changes in property, plant and equipment at 31 December 2020 compared with the previous year.

	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
Cost	544,223	1,952,605	318,585	318,098	198,106	3,331,617
Accumulated depreciation	(241,744)	(1,539,583)	(270,651)	(294,510)	0	(2,346,488)
Net amount at 31.12.2019	**302,479**	**413,022**	**47,934**	**23,588**	**198,106**	**985,129**
Increases	12,592	38,363	4,870	8,289	74,003	138,117
Disposals - cost	(60)	0	0	(784)	0	(844)
Disposals - accumulated depreciation	50	0	0	704	0	754
Reclassifications	(19)	(17)	(107)	10	(64,612)	(64,745)
Impairment losses	(2,079)	(433)	(1,619)	0	(99)	(4,230)
Depreciation	(21,394)	(84,867)	(10,435)	(7,952)	0	(124,648)
Total changes	**(10,910)**	**(46,954)**	**(7,291)**	**267**	**9,292**	**(55,596)**
Cost	553,441	1,989,831	269,968	325,620	207,398	3,346,258
Accumulated depreciation	(261,872)	(1,623,763)	(229,325)	(301,765)	0	(2,416,725)
Net amount at 31.12.2020	**291,569**	**366,068**	**40,643**	**23,855**	**207,398**	**929,533**

(thousands of euros)

Property, plant and equipment in 2020 decreased by a net €55,596 thousand, reflecting:

- depreciation for the period of €124,648 thousand (€128,000 thousand in 2019);
- an increase in property, plant and equipment of €138,117 thousand, of which €64,114 thousand relating to investments that entered service during the period. This included: i) the construction of the new technical and office facilities for the Genoa Airport; ii) the multilateration system for the Bergamo Orio al Serio and Venice Tessera airports; iii) the technology upgrading of the operational room and services LAN of the Padua Area Control Centre; iv) the implementation of the Data Link system phase 3; v) the upgrade of meteorological systems at the Pantelleria, Bolzano and Rome Urbe airports to the ICAO 74 amendment; vi) the implementation of security via audio over IP at various remote sites; vii) implementation of the Verona airport weather system; viii) the modernisation of the ILS radio aid system for Brindisi airport; ix) the construction of the airport fibre optic network and modernisation of the Ground-Air radio station at the Turin Caselle airport; x) adaptation of ground-ground and

air-ground voice communications to the VOIP system at the Brindisi Area Control Centre; xi) the implementation of the system needed to use the A-CDM (Airport Collaborative Decision Making) procedure at the Bergamo Orio al Serio and Naples Capodichino airports. The A-CDM is an integrated platform that transmits information on the status of all departing flights in real time to Eurocontrol's European operations centre; and xii) evolutionary maintenance on various systems. Increases of €74,003 thousand refer to progress on assets under construction as part of investment projects, including: i) the 4-Flight programme, whose objective is to develop the entire Air Traffic Management (ATM) technology platform of the ACCs based on SESAR operational concepts and taking the Coflight system as a basic component. With regard to the new generation flight data processing system called Coflight, which supports controllers in calculating the expected flight trajectory, created in collaboration with the French provider DSNA, the development of the V3R2 version and the V3R3 was begun and will be integrated into the 4-Flight programme; ii) the automation programme for the operation of control towers towards full electronic management at six airports; iii) the modernisation and upgrading of airport sound recording systems; iv) the new tower and technical area of the Treviso airport; v) the TOC (Technical Operations Centre) programme dedicated to the new model for managing the maintenance of air traffic control plant and systems; vi) the construction of the new ENET-2 communication network, which will replace the existing ENET network connecting all national operating sites, handling operational voice, radar data, flight plans, weather, AIS and plant control;
- the decreases due to reclassifications totalling €64,745 thousand, mainly regarding investment projects that were completed and entered service during the year, with classification to a specific account, amounting to €64,114 thousand, as well as €622 thousand for the reclassification of certain components of operating systems in inventories for replacement parts;
- writedowns of property, plant and equipment amounting to €4,230 thousand, mainly referring to the effects of the decree of the Ministry for the Economy and Finance of 3 April 2020 for the return to the State of assets no longer instrumental to ENAV's institutional purposes and subsequent reassignment to ENAC, pursuant to the combined provisions of Articles 692 and 693 of the Navigation Code for subsequent assignment under a concession arrangement with the airport operator. Upon publication of the decree in the Official Journal on 30 November 2020, the assets affected by the decree were derecognised, including the illuminated visual aid systems of a number of airports with a residual net value of €3,448 thousand, which pursuant to Article 2 of the above decree can be recovered through adjustments to Charging Zone 3 terminal rates using a graduated mechanism agreed with ENAC.

Note that part of the investments, with a historical cost of €277.4 thousand, are financed by capital grants disbursed under the National Operational Programme (NOP) for Transport for the years 2000-2006 and 2007-2013 for initiatives at southern airports, grants from the Ministry of Sustainable Infrastructure and Mobility for investments in military airports, in accordance with Law 102/09 and projects financed at the European level. The capital grants for these investments are accounted for as other liabilities and reversed to profit or loss in line with the depreciation of the investments to which they refer. The amount attributable to the year came to €9,569 thousand.

8. Intangible assets

Intangible assets amounted to €175,629 thousand at 31 December 2020 and changed as following during the year:

	Industrial patent and intellectual property rights	Other intangible assets	Assets under development	Goodwill	Total
Cost	171,023	11,085	44,649	93,472	320,229
Accumulated amortisation	(146,181)	(2,481)	0	0	(148,662)
Net amount 31.12.2019	24,842	8,604	44,649	93,472	171,567
Increases	13,733	731	17,485	0	31,949
Disposals	0	0	0	0	0
Reclassification	0	0	(14,464)	0	(14,464)
Impairment losses	0	0	0	0	0
Amortisation	(12,426)	(997)	0	0	(13,423)
Total changes	**1,307**	**(266)**	**3,021**	**0**	**4,062**
Cost	184,756	11,816	47,670	93,472	337,714
Accumulated amortisation	(158,607)	(3,478)	0	0	(162,085)
Net amount 31.12.2020	**26,149**	**8,338**	**47,670**	**93,472**	**175,629**

(thousands of euros)

Intangible assets increased by a net €4,062 thousand during the year as a result of the following:

- amortisation for the year amounting to €13,423 thousand (€11,486 at December 31, 2019);
- increases totalling €31,949 thousand, of which €14,464 thousand in respect of investment projects completed and entering service during the year, mainly regarding: i) software for the management of aeronautical invoicing called the Aeronautical Revenue Management System (ARMS), which collects flight data by interfacing with radar systems and the Air Traffic Service Message Handling System (AMHS) for European service providers and airport operators and Air Traffic Flow Management (ATFM) software; ii) the implementation of software to support D-Flight activities, including map updates, a mobile app, the introduction of new payment tools and many other features; iii) long-term licenses for management and operating systems; and iv) licenses for mobile device management in Citrix Cloud. The remainder of the increases, which amounted to €17,485 thousand, regarded projects under development in 2020 that entered partial service in the same year. Projects not completed included software development activities for the engineering of FPDAM (software solutions for ground validation and simulation) and AMHS products and technological innovation regarding the Aeronautical Information Management (AIM) portal and activities for the creation of a Group ERP system. The Company verified that that item had not incurred any impairment loss as at the reporting date;

- decreases in intangible assets for reclassifications of €14,464 thousand are entirely accounted for by investment projects completed during the year and entering service that were classified to a specific account.
  Goodwill amounted to €93,472 thousand and includes €66,486 thousand in respect of the positive difference between the acquisition value of the subsidiary Techno Sky S.r.l. and its net assets at fair value, and is representative of future economic benefits. This value is entirely allocated to the Maintenance Services CGU, coinciding with the legal entity Techno Sky S.r.l.. At 31 December 2020, in application of methodology in IAS 36 Impairment of assets, the goodwill underwent impairment testing, carried out by comparing the recoverable value of the CGU with the carrying amount of the net assets of that unit, consistent with the provisions of IAS 36. In determining recoverable value, reference was made to value in use. The discount rate used is a WACC of 7.3% with a growth rate of operating cash flows in nominal terms, after the forecast for the explicit period, equal to 0.80%, consistent with the revised growth forecasts for Italy in the current macroeconomic environment.
  Management decided that the estimation of recoverable value would use the value in use estimated on the basis of the cash flows drawn from the 2021-2024 business plan prepared by the subsidiary and approved by the company's management on 13 April 2021, which reflects both economic and financial conditions in the market, taking account of the budget already approved for 2021. The new plan was revised to take account of the impact of COVID-19, with particular regard to developments in revenues on the non-regulated market, which decline by about 20% during the explicit period compared with the previous plan.

The plan shows moderate revenue growth in the reference period (CAGR 2.2%) due to a general increase in activities to be carried out on the non-regulated market, which benefitted from the positive effects of the reorganisation of the Group's commercial activities. This growth is expected to come mainly in the final part of the explicit period (2023-2024), partially offset by an increase in variable costs, albeit at a slower pace than the growth in revenues on the non-regulated market, thereby having a positive impact on EBITDA growth over the plan horizon (+5.1%).
The assumptions on which the company based the preparation of the financial plan are founded on an understanding of the reference market, the information received by management, which reflected the 2021 budget approved on 21 December 2020, and objective data concerning the continuation of the company's core business.
The test found that the recoverable value is greater than the carrying amount of the CGU and, consequently, no impairment was recognised.
For the purposes of the sensitivity analysis, an increase in the WACC of 0.3% was assumed and, maintaining a growth rate of 0.8%, the headroom continues to be positive in the amount of €69.2 million. Assuming a zero growth rate with no change in the WACC, the recoverable value is €59.1 million greater than the carrying amount.
In order to verify the robustness of the value in use of the CGU, sensitivity analyses were conducted for the main drivers (the growth rate g and WACC), which found that value was fully consistent with the carrying amount, even in a zero growth scenario.
The remainder of goodwill, equal to €26,986 thousand, regards the positive difference between the acquisition value of the subsidiary IDS AirNav S.r.l. and the current value of net assets, and is representative of future economic benefits. This value, identified after purchase price allocation process, has been allocated in full to the AIM Software Solutions CGU, coinciding with the legal entity IDS AirNav. It was initially recognised on a provisional basis at 31 December 2019 and became definitive after 12 months from the acquisition date.

At 31 December 2020, in application of methodology in IAS 36 Impairment of assets, the goodwill underwent impairment testing, carried out by comparing the recoverable value of the CGU with the carrying amount of the net assets of that unit, consistent with the provisions of IAS 36. In determining recoverable value, reference was made to value in use. The discount rate used is a WACC of 12.6% with a growth rate of operating cash flows in nominal terms, after the forecast for the explicit period, equal to 0.8%, consistent with the revised growth forecasts for Italy.

Management decided that the estimation of recoverable value would use the value in use estimated on the basis of the cash flows drawn from the 2021-2024 business plan prepared by the subsidiary and approved by IDS Air-Nav's management on 12 April 2021, also taking account of the budget for 2021. The plan shows the effects of the COVID-19 emergency, which caused a contraction of 25% in revenue on the non-regulated market over the explicit period of 2021-2024 compared with the previous plan, with a gradual return to normal in 2024, as revenues and margins return to close to pre-COVID levels.

The assumptions on which the company based the preparation of the financial plan are founded on an understanding of the reference market, the information received from the Group's commercial structure. The test found that the recoverable value is greater than the carrying amount of the CGU and, consequently, no impairment was recognised. The recoverable value for the purposes of the impairment test showed headroom over the corresponding carrying amount of about €4.2 million.

For the purposes of the sensitivity analysis, an increase in the WACC of 0.5% was assumed while maintaining the growth rate at 0.8%. Headroom was positive at €1.7 million. Assuming a zero growth rate and no change in the WACC, the recoverable value exceeds the carrying amount by €1.3 million.

No other plausible changes in the key impairment parameters have been found that could eliminate the positive difference between the value in use and the carrying amount of the CGU's assets.

9. Investments in other entities

At 31 December 2020, investments in other entities amounted to €50,122 thousand (€63,225 thousand at 31 December 2019), a decrease of €13,103 thousand compared with the previous year, associated entirely with the investment in Aireon LLC, which is measured at fair value through OCI, reflecting the adjustment of the investment to fair value and measurement at the year-end exchange rate. The investment is therefore carried at €50 million for the Group's stake of 9.14%, which will rise to 11.1% following execution of the redemption clause, which will not give rise to costs for the Company.

The fair value was measured using the valuation techniques provided for in IFRS 13, under which the calculation of fair value should maximise the use of observable data and minimise unobservable data in order to estimate the price at which it would be sold in an orderly transaction to transfer the equity instrument would take place between market participants at the measurement date. With a non-active market, the inputs used are consistent with Level 3 of the fair value hierarchy.

At 31 December 2020, the Group estimated the fair value of the investment using the following inputs: the Long-Term Operating Plan (LTOP) updated to 26 February 2021 by the Board of Directors of Aireon, with a time horizon over which the cash flows were projected (2020-2033) that takes account of the start of the operational phase of the company and is consistent with the useful life of the technology assets the satellite constellation – underpinning the development of the business and estimated by the management of Aireon. The forecasts for performance and financial position take account of the effects of the health emergency, which has impacted the air transport industry on a

global scale and which on the basis of the estimates of Aireon's management could have structural effects.
The Plan envisages a financial structure with a broadly unchanged level of debt over the entire time horizon to fund the distribution of dividends to shareholders and investments in the creation of the second constellation during the last few explicit forecasting years of the Plan.
Other elements considered in the estimation are official stock market prices and historical and forecast economic-financial data for the sector and the market price of government securities. Following the update of the inputs, the fair value of the investment in Aireon LLC as at 31 December 2020 was equal to €50 million, corresponding to $61.3 million, a decrease of $9.5 million compared with 31 December 2019.
The valuation model used is based on the following assumptions: i) fair value, determined from an equity-side perspective, based on a model involving the discounting of the dividends drawn from the explicit period of the plan; ii) the terminal value of the investment was determined by assuming sustainable cash flows at a long-term nominal average growth rate (g-rate); iii) the discount rate used is a cost of capital (Ke) of 14.85%, calculated using the CAPM (Capital Asset Pricing Model) method.
In order to verify the robustness of the estimate, a sensitivity analysis was conducted for the Ke and the growth rate g: maintaining a growth rate of 2% and assuming a Ke of 14.35%, the value of the investment would increase by about $3.1 million.
Investments in other entities also includes the 16.67% stake held by the Parent Company in the French company ESSP SaS, in which the main European service providers are shareholders and which operates the EGNOS satellite navigation system and provides the associated services. In 2020, it paid a dividend of €417 thousand (unchanged on 2019).

10. Current and non-current financial assets

Current and non-current financial assets amounted to €9,851 thousand and €347 thousand, respectively, an overall reduction of €25,869 thousand on 31 December 2019. The item breaks down as follows:

	31.12.2020			31.12.2019			CHANGE		
	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Financial assets at amortized cost	**9,851**	**0**	**9,851**	24,967	10,658	35,625	(15,116)	(10,658)	(25,774)
Other financial assets	**0**	**347**	**347**	0	347	347	0	0	0
Derivative financial instruments	**0**	**0**	**0**	10	85	95	(10)	(85)	(95)
Total	**9,851**	**347**	**10,198**	**24,977**	**11,090**	**36,067**	**(15,126)**	**(10,743)**	**(25,869)**

(thousands of euros)

Current financial assets decreased by a net €15,126 thousand, reflecting in part the elimination of the financial investment in two BTP government bonds with a total nominal value of €25 million, which matured on 15 October 2020 and 1 November 2020 respectively, generating proceeds of €24.9 million, and the reclassification under current financial assets of the financial receivable due from the company from which the business unit transferred to Techno Sky was acquired, corresponding to the severance pay for the employees of the business unit. That receivable declines either at the request of the subsidiary for employees terminating their employment or asking for advances, or in a single payment to be made 15 years from the transaction date, or 28 December 2021. The receivable, which pays interest and is secured by a first-demand bank guarantee, declined in 2020 as a result of repayments of €807 thousand.
At 31 December 2020, the fair value measurement of a financial instrument obtained by ENAV to hedge the exposure to adverse changes in the euro/dollar exchange rate had a negative value as was classified under financial liabilities. The financial instrument establishes a perfectly effective hedging relationship, accounted for using the cash flow hedge method. Please see Note 34 for all the information required by IFRS 7.

11. *Deferred tax assets and deferred tax liabilities*

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

	31.12.2019		Incr./decr. through profit or loss		Incr./decr. through OCI			31.12.2020	
	Temporary differences	Deferred tax assets/ liabilities	Temporary differences	Deferred tax assets/ liabilities	Temporary differences	Deferred tax assets/ liabilities	Exchange differences	Temporary differences	Deferred tax assets/ liabilities
Deferred tax assets									
Taxed provisions	27,020	6,484	5,061	1,215	0	0	0	**32,081**	**7,699**
Write-down of inventories	9,905	2,377	(824)	(198)	0	0	0	**9,081**	**2,179**
Discounting of receivables	135	33	20,712	4,971	0	0	0	**20,847**	**5,004**
Tax effect of IFRS conversion	296	91	0	0	0	0	0	**296**	**91**
Discounting of severance pay provision	3,887	952	0	0	454	109	0	**4,341**	**1,061**
Non-deductible portion of severance pay	186	45	(97)	(23)	0	0	0	**89**	**22**
Fair value of derivatives	4	1	0	0	58	14	0	**62**	**15**
Other	24,419	6,701	21,155	4,738	0	0	(362)	**45,574**	**11,077**
Total	**65,852**	**16,684**	**46,007**	**10,703**	**512**	**123**	**(362)**	**112,371**	**27,148**
Deferred tax liabilities									
Other	5,755	1,382	877	210	0	0	0	**6,632**	**1,592**
Discounting on debts	885	213	(762)	(183)	0	0	0	**123**	**30**
Tax effect of IFRS conversion	2,316	687	(268)	(77)	0	0	0	**2,048**	**610**
Fair value of investment	8,560	1,797	0	0	(8,498)	(1,784)	0	**62**	**13**
Fair value of derivatives	2,676	642	0	0	(96)	(23)	0	**2,580**	**619**
PPA	0	4,587	0	(722)	0	0	0	**0**	**3,865**
Total	**20,192**	**9,308**	**(153)**	**(772)**	**(8,594)**	**(1,807)**	**0**	**11,445**	**6,729**

(thousands of euros)

The change in the year in deferred tax assets and deferred tax liabilities, which have a balance at the end of 2020 of €27,148 thousand and €6,729 thousand, respectively, is attributable to the following factors:

- the recognition of the deferred tax liabilities associated with the discounting of receivables and payables for balances recognised in 2020 and the reversal of the deferred tax liabilities for receivables and payables accruing in the year;
- the utilisation and recognition of new taxable risk provisions and the provision for doubtful accounts as a result of the circumstances discussed in Notes 13 and 19;
- the recognition of employee severance pay in accordance with the actuarial method, which produced an actuarial loss recognised in other comprehensive income;
- the measurement at fair value of derivative financial instruments, recognised in other comprehensive income;
- the reversal of deferred taxation on the fair value of the investment in Aireon, as reported in Note 9;
- the measurement and reversal to profit or loss of the elimination of margins on intercompany transactions;
- the recognition of deferred tax assets in respect of the loss for the year of the subsidiary D-Flight;
- the reversal of the deferred tax liabilities connected with the purchase price allocation of the subsidiary IDS AirNav.

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

12. Current and non-current tax receivables

Non-current tax receivables amounted to €23,858 thousand, a decrease of €1,001 thousand on the previous year in reflection of the partial collection of the receivable for the excess IRES paid by Techno Sky in 2007-2011 for 2007, 2010 and 2011, including interest of €169 thousand. The receivable was arose as a result of the non-deduction of IRAP relating to personnel and similar costs. In accordance with the requirements of the Revenue Agency, which call for repayment starting from the most distant tax periods and in the order of the electronic transmission of data flows, it was deemed prudential to classify this receivable under non-current assets.
Current tax receivables amounted to €13,337 thousand and include the receivables shown in the following table.

	31.12.2020	31.12.2019	CHANGE
Receivables from tax authorities for VAT	**5,559**	14,414	(8,855)
IRES receivable	**6,896**	0	6,896
IRAP receivable	**692**	58	634
Other current tax receivable	**190**	332	(142)
Total	**13,337**	**14,804**	**(1,467)**

(thousands of euros)

Receivables from tax authorities for VAT amounted to €5,559 thousand, a decline of €8,855 thousand compared with 31 December 2019 that mainly reflected the collection of the VAT receivable for which Techno Sky had requested reimbursement regarding the 2017 tax year, for a total of €8 million.

The **IRES receivable** regards the Parent Company and reflects the positive balance between payments on account and the IRES liability for 2020.

The **IRAP receivable** showed a credit balance of €692 thousand, equal to the difference between payments on account during the year and the tax liability recognised in 2020 by the Group.

13. Current and non-current trade receivables

Current trade receivables amounted to €136,582 thousand and non-current trade receivables amounted to €385,971 thousand, with the developments detailed in the following table:

	31.12.2020	31.12.2019	CHANGE
Current trade receivables			
Receivables from Eurocontrol	**94,708**	152,851	(58,143)
Receivables from the Ministry for the Economy and Finance	**10,243**	12,114	(1,871)
Receivables from the Ministry of Sustainable Infrastructure and Mobility	**30,000**	30,000	0
Receivables from others	**31,526**	31,526	0
Balance receivables	**2,559**	16,098	(13,539)
	169,036	**242,589**	**(73,553)**
Provision for doubtful accounts	**(32,454)**	(29,268)	(3,186)
Total	**136,582**	**213,321**	**(76,739)**
Non-current trade receivables			
Receivables from customers	**741**	1,480	(739)
Balance receivables	**385,230**	8,133	377,097
Total	**385,971**	**9,613**	**376,358**

(thousands of euros)

Receivables from Eurocontrol regard to the fees in respect of en-route and terminal revenues not yet received as of 31 December 2020, most of which have not yet fallen due, amounting to €65,748 thousand (€106,877 thousand at 31 December 2019) and €28,960 thousand (€45,974 thousand at 31 December 2019), respectively, gross of the provision for doubtful accounts. The overall decrease of €58,143 thousand mainly reflected a decrease in turnover beginning in March 2020 attributable to the coronavirus health emergency, which caused services connected with air traffic activities to fall steeply. In the last two months of 2020, the reduction in turnover amounted to €63.2 million compared with the same period of the previous year. This was partly offset by the payment deferral granted by all of the member countries of Eurocontrol to airlines for flights in the period between February and May 2020, for which the arrears for February were collected in November 2020 while those for the other months will fall due every three months. The receivable from Eurocontrol, net of the provision for doubtful accounts, amounted to €73,117 thousand (€133,816 thousand at 31 December 2019).

Receivables from the Ministry for the Economy and Finance (MEF) of €10,243 thousand are entirely accounted for by the en-route and terminal exemptions recognised in 2020, a decrease of €1,871 thousand compared with the previous year, reflecting a decline in service units in the year. The receivable in 2019 of €12,114 thousand was offset, after approval of the 2019 financial statements, with the payable to the Italian Air Force for the collections in respect of en-route charges of €77,515 thousand, which left a payable of €65,401 thousand due to the MEF, which was recognised under other liabilities.

Receivables from the Ministry of Sustainable Infrastructure and Mobility includes the operating grant for the year, equal to €30,000 thousand, which is intended to offset the costs incurred by the Parent Company to guarantee the safety of its plant and operational safety, as provided for by Article 11-*septies* of Law 248/05. In November, €30 million recognised in 2019 were collected.

Receivables from others amounted to €31,526 thousand, and although in comparison with the previous year they appear unchanged, variations during the year reveal a decrease in the receivables of the Parent Company due to a reduction in activities on the non-regulated market and an increase in the receivables of subsidiaries in respect of progress on a number of projects, including those due from the Swedish service provider, customers in Taiwan and Australia and the Ministry of Defence for activities at a number of military airports.

The receivable recognised under receivables from customers falling due after 12 months amounting to €741 thousand regards the receivable due from Alma Mater Studiorum University of Bologna, which purchased the Academy building complex in 2018, with part of the price deferred in four annual instalments of €750 thousand on 28 June each year. In 2020 the second instalment was received and that falling due on 28 June 2020 was classified under current receivables, while the last instalment is recognised under receivables falling due after 12 months, net of discounting effects. To guarantee the deferred payment, Alma Mater Studiorum University of Bologna granted a voluntary first mortgage of the same duration as the payment extension on the properties involved in the sale.

The **provision for doubtful accounts** amounted to €32,454 thousand, with changes in 2020 breaking down as follows:

			DECREASES		
	31.12.2019	**Increases**	**Utilisations**	**Cancellations**	**31.12.2020**
Provision for doubtful accounts	29,268	6,817	(604)	(3,027)	**32,454**

(thousands of euros)

The increase in the year in the provision for doubtful accounts reflected both positions written off following the bankruptcy of a number of Italian and European air carriers and the effects of the updating of the valuation model used to assess the recoverability of receivables, which was revised in the wake of the COVID-19 emergency, in compliance with the instructions of ESMA and Consob. The new model has been specifically updated in connection with the increase in the risk presented by the air transport sector, which has a direct impact on the expected collection of the receivable due from Eurocontrol. The adjustments were determined on the basis of the deterioration in the credit standing of a basket of representative companies in the air transport sector.

The decrease in the provision for doubtful accounts includes €604 thousand in respect of receivables prudentially written down in previous years and collected during 2020, while €3,027 thousand regards the writeoff of receivables in respect of Eurocontrol, which does not affect the right to recover the receivable.

The uses are recognised in the income statement under the item "writedowns and impairment (reversals of impairment)".

Receivables for balances amounted to €387,789 thousand net of discounting effects (€24,231 thousand at 31 December 2019), a net increase of €363,558 thousand. In response to the global health emergency, which has had a significant impact on the air transport sector, the European Commission issued Regulation (EU) 2020/1627 of 3 November 2020 introducing rules that partially derogate from Regulation (EU) 2019/317 concerning the performance and charging scheme and adopting specific provisions in relation to 2020 and 2021, which are considered as a single period, effectively setting aside the traffic risk-sharing mechanism. Under the provisions of the Regulation, balance revenues connected with services provided in respect of Eurocontrol shall be measured on the basis of the determined costs for 2019 calculated in real terms, for which a percentage reduction has been determined that will be applied to actual determined costs for 2020-2021, and total revenues generated in the reference years. On the basis of this criterion, a balance of €295 million emerges for en-route charges. This criterion was also extended to the overall determination of terminal balances for Charging Zones 1 and 2, which were equally affected by the health crisis. This resulted in an overall balance of €105.5 million. The balance for Charging Zone 3 amounted to €64.2 million. Considering the fact that recovery of these balances pursuant to the EU Regulation will have to be spread over a period of five years, which can be extended to seven years, starting from 2023, we discounted them over that period, producing an overall negative value of €20.8 million. Finally, receivables for balances decreased by a total of €16.2 million in 2020 due to the amount included in unit rates for the year.

14. Inventories

Inventories, which are mainly represented by spare parts, amounted to €61,561 thousand net of the inventory loss provision, an increase of €870 thousand on the previous year. Changes during the year break down as follows:

	31.12.2019	Increases	Decreases	31.12.2020
Bonded inventory	65,365	3,217	(3,374)	**65,208**
Direct inventory	5,233	782	(580)	**5,435**
	70,598	**3,999**	**(3,954)**	**70,643**
Allowance for inventory losses	(9,907)	(341)	1,166	**(9,082)**
Total	**60,691**	**3,658**	**(2,788)**	**61,561**

(thousands of euros)

The increase of €3,658 thousand, net of the inventory loss provision, mainly reflects bonded inventory for the purchase of spare parts for operating systems used for air navigation, including spare parts to support radar systems, telecommunications, meteorological systems and lighting aids. Part of the increase, equal to €622 thousand, was attributable to parts of systems classified to inventories from property, plant and equipment. The decrease of €2,788 thousand, net of the inventory loss provision, reflected the use of spare parts in operating systems.

The provision for inventory losses increased by €341 thousand for replacement parts that became obsolete as they were designed for plant no longer in use and decreased by €1,166 thousand as a result of the disposal of spare parts already written down in previous years.

15. Other current and non-current assets

Other current assets amounted to €52,234 thousand, an increase of €4,120 thousand compared with 2019, while other non-current assets totalled €7,765 thousand, a decrease of €8,579 thousand on 31 December 2019.
The item breaks down as follows:

	31.12.2020	31.12.2019	CHANGE
Other current receivables			
Receivables from government entities for capital grants	**35,239**	32,977	2,262
Receivables from personnel	**3,291**	3,544	(253)
Receivables from various entities for projects funded	**12,139**	9,560	2,579
Accruals and deferrals	**1,446**	1,193	253
Other receivables	**2,819**	4,173	(1,354)
	54,934	**51,447**	**3,487**
Provision for doubtful accounts	**(2,700)**	(3,333)	633
Total	**52,234**	**48,114**	**4,120**
Other non-current receivables			
Receivables from government entities for capital grants	**7,752**	16,344	(8,592)
Other receivables	**13**	0	13
Total	**7,765**	16,344	(8,579)

(thousands of euros)

Receivables from government entities for capital grants decreased by €6,330 thousand compared with 31 December 2019, mainly due to the collection of grants under the deconflicting tool investment project at the Brindisi Area Control Centre and the wind shear project at the Palermo airport in the total amount of €6.3 million. During the year, €8,649 thousand were reclassified under current receivables for a number of a number of investment projects begun in 2020 that had not yet been awarded in 2019.
Receivables from personnel refer to the advances paid to employees for travel expenses and not yet completed at the end of the year, of which the largest portion (€2,700 thousand) regards expense advances paid to former employees of the Parent Company, already investigated by judicial authorities and prudently written down in previous

years. In 2020, €45 thousand were collected, reducing the provision. In order to secure the receivable, one fifth of pension payments and severance benefits were placed under sequestration, while current accounts and, for some parties, real estate were also seized.

Receivables from various entities for projects funded, totalling €12,139 thousand, show a net increase of €2,579 thousand on 31 December 2019 due to the recognition of receivables on projects financed under the Connecting Europe Facility (CEF) calls for 2015 and 2017 in the amount of €5.3 million following the reporting of the accounts in 2020 and the recognition of the share co-financed as part of the activities performed by the Group under the SESAR 2020 Wave 2 project. The receivable declines as a result of amounts collected for the SESAR 2020 Wave 1 project and the interim payment on project financed under the CEF call for 2016, for which the accounts were reported in 2019.

Prepaid expenses amounted to €1,446 thousand, a net increase of €253 thousand on 31 December 2019, mainly reflecting an increase in fees paid to financial institutions in connection with the grant of new financing.

Other receivables decreased by €1,354 thousand compared with 31 December 2019 as a result of the full settlement of a dispute, which led to the derecognition of a number of positions recognised the previous year on the basis of a court ruling, which had been partially written down as they were not considered recoverable.

16. Cash and cash equivalents

The following table provides a breakdown of cash and cash equivalents at 31 December 2020.

	31.12.2020	31.12.2019	CHANGE
Bank and post office deposits	**315,994**	449,209	(133,215)
Cash and cash equivalents on hand	**50**	59	(9)
Total	**316,044**	**449,268**	**(133,224)**

(thousands of euros)

Cash and cash equivalents totalled €316,044 thousand, a net decrease of €133,224 thousand that mainly reflected developments in receipts and payments connected with ordinary operations, which produced a negative cash flow owing to the reduction in receipts from core business operations as a result of the effects of the COVID-19 pandemic. The health emergency produced a sharp contraction in air traffic and prompted the member countries of Eurocontrol to grant deferrals to air carriers for payments due for flights in the period from February to May. Other factors included: i) the payment of dividends in the amount of €113.2 million; ii) repayment of loans of €13.5 million; and iii) payment to the Italian Air Force of its share of terminal receipts in the amount of €14.7 million. These developments were partly offset by the proceeds of the disinvestment in financial instruments maturing in the last two months of the year in the amount of €24.9 million, the collection of the VAT receivable in the amount of €8.2 million and liquidity from new borrowing in the total amount of €220 million.

Cash and cash equivalents are not restricted by encumbrances limiting their availability. Cash and cash equivalents pertaining to the Sicta Consortium and ENAV España Control Aereo, equal to €1,375 thousand, were reclassified to assets held for sale, as referred to in note 17.

17. Assets held for sale and associated liabilities

Assets and liabilities held for sale include the positions connected with the Sicta Consortium in liquidation and Enav España Control Aereo S.L.U. which have been classified under this item in accordance with the requirements set out in IFRS 5. Both companies were liquidated in the first two months of 2021.
The assets held by the consortium as at 31 December 2020 amounted to €1,423 thousand, and include tax receivables, largely accounted for by VAT credits, and cash and cash equivalents. Liabilities associated with assets held for sale at 31 December 2020 amounted to €5 thousand and regard trade payables. The assets of Enav España Control Aereo consisted entirely of liquidity.

18. Shareholders' equity

Consolidated shareholders' equity at 31 December 2020 amounted to €1,085,467 thousand and breaks down as follows.

	31.12.2020	31.12.2019	CHANGE
Share capital	**541,744**	541,744	0
Legal reserve	**37,404**	31,810	5,594
Other reserves	**441,885**	449,414	(7,529)
Translation reserve	**1,767**	7,030	(5,263)
IAS FTA reserve	**(727)**	(727)	0
Reserve for actuarial gains/(losses) for employee benefits	**(11,555)**	(11,210)	(345)
Cash Flow Hedge reserve	**1,913**	2,030	(117)
Reserve for treasury shares	**(3,200)**	(4,973)	1,773
Retained earnings/(accumulated losses)	**19,763**	19,993	(230)
Profit (loss) for the year	**54,284**	118,432	(64,148)
Total shareholders' equity pertaining to shareholders of the Parent Company	**1,083,278**	**1,153,543**	**(70,265)**
Non-controlling interests	**2,500**	2,664	(164)
Profit/(loss) pertaining to non-controlling interests	**(311)**	(164)	(147)
Total non-controlling interests	**2,189**	**2,500**	**(311)**
Total shareholders' equity	**1,085,467**	**1,156,043**	**(70,576)**

(thousands of euros)

On 21 May 2020, the Ordinary Shareholders' Meeting called, inter alia, to approve the financial statements at 31 December 2019 resolved to distribute to the shareholders a total dividend of €0.2094 a share, in line with the dividend policy announced to investors in the prospectus for the listing of the Parent Company on the electronic stock market operated by Borsa Italiana on 26 July 2016 and valid for 2016 and subsequent years until the end of the second reference period.

Share capital consists of 541,744,385 ordinary shares with no par value, of which 53.28% are held by the Ministry for the Economy and Finance, 46.58% by institutional and individual shareholders and 0.14% by ENAV in the form of treasury shares. At 31 December 2020 all shares are subscribed and paid up and no preference shares have been issued.

The **legal reserve** represents the share of profits that under the provisions of Article 2430 of the Civil Code cannot be distributed as dividends. In 2020, in accordance with the resolution of the Shareholders' Meeting of 21 May 2020, at the time of approval of the 2019 financial statements, 5% of ENAV S.p.A.'s profit for the year was allocated to the legal reserve in an amount equal to €5,594 thousand.

Other reserves include €36.4 million in the reserve for capital grants received in 1996-2002, which is reported net of taxes that have been discharged thereby making the reserve available, as well as €400 million from the allocation of the voluntary reduction of share capital, €1.5 million for the reserve for the long-term incentive plan for the Group's management, which decreased during the year following the award of the shares connected with the first vesting period of the 2017-2019 plan, net of the portion accruing for the other vesting cycles, €49 thousand in respect of the fair value measurement investments in other entities (Aireon), net of deferred taxation, and €3.9 million in respect of the equity reserve from D-Flight S.p.A..

The **translation reserve** for the conversion of financial statements denominated in foreign currencies reflects exchange differences generated by the translation into euros of the financial statements of companies operating in areas other than the euro area.

The **IAS FTA reserve** (first-time adoption) reflects differences in the values of assets and liabilities recognised at the time of initial adoption of international accounting standards.

The **reserve for actuarial gains/(losses) for employee benefits** includes the effects of the actuarial changes in employee severance benefits, net of the tax effect, which at 31 December 2020 registered a Group actuarial loss of €345 thousand.

The **cash flow hedge reserve** includes the impact of the measurement at fair value of hedging derivatives, which shows a net decrease of €117 thousand for the year.

The **treasury share reserve** reports the value of 772,103 treasury shares purchased at an average price of €4.14 per share, the remainder of the 1,200,000 treasury shares registered at 31 December 2019 following the award of 427,897 shares to the beneficiaries of the first vesting period of the 2017-2019 Performance Plan.

Retained earnings/(loss carryforward) reflects results for previous years of the companies included in the scope of consolidation and adjustments made at the consolidated level. The net change of €230 thousand mainly reflects the negative difference between consolidated net profit for 2019 and the portion distributed as a dividend.

Profit for the year pertaining to shareholders of the Parent Company amounted to €54,284 thousand.

At 31 December 2020, non-controlling interests amounted to €2,189 thousand.

CAPITAL MANAGEMENT

The capital management objectives of the Group are creating value for stakeholders and supporting the Group's long-term development. In particular, the Group seeks to maintain an adequate level of capitalisation that enables it to access external sources of financing while optimising borrowing costs, achieving a satisfactory financial return for shareholders and enabling it to adequately support the development of the Group's activities. Accordingly, the Group manages its capital and takes account of economic conditions and the requirements of financial covenants in the pursuit of these goals.

19. Provisions for risks and charges

Provisions for risks and charges amounted to €3,341 thousand, of which the portion classified in current liabilities totalled €2,291 thousand, and changed as follows during the year:

	31.12.2019	Increases	To profit or loss	Uses	31.12.2020
Provisions for disputes with personnel	768	813	0	(51)	**1,530**
Provisions for other pending litigation	127	0	0	(77)	**50**
Other risk provisions	883	0	0	0	**883**
Provisions for other charges	0	878	0	0	**878**
Total provisions for risks and charges	**1,778**	**1,691**	**0**	**(128)**	**3,341**

(thousands of euros)

Provisions for disputes with personnel, the short-term portion of which stood at €1,383 thousand, increased by a net €762 thousand during the year as a result of the settlement of disputes with the use of provisions in the amount of €51 thousand and new provisions for liabilities that could merge from labour disputes of various types. At 31 December 2020 the total value of legal claims relating to outstanding disputes for which Group legal counsel have deemed the risk of a loss to be possible is €0.8 million.

Provisions for other pending litigation, of which the short-term portion amounted to €20 thousand, decreased by €77 thousand during the year, reflecting the closure of a dispute with a supplier. At 31 December 2020, the estimated charges related to outstanding disputes for which Group legal counsel have deemed the risk of a loss to be possible is €1.4 million.

Provisions for other charges report the amount that the Parent Company has allocated to support the fight against COVID-19, which has yet to be determined definitively and is connected with the agreement reducing the MBO bonus to be paid to management and the Chief Executive Officer, who waived their entitlement.

20. Severance pay and other employee benefits

The provision for severance pay and other employee benefits amounted to €49,943 thousand, and is composed of the severance pay provision governed by Article 2120 of the Civil Code, which reports the estimated liability determined using actuarial techniques in respect of amounts payable to ENAV Group employees at the end of their employment relationship.
Developments in the liability for severance pay and other employee benefits during the year break down as follows:

	31.12.2020	31.12.2019
Liabilities for employee benefits at the beginning of the year	**52,509**	**52,280**
Change in scope of consolidation	**0**	249
Interest cost	**385**	445
Actuarial (gains)/Losses on defined benefits	**454**	2,794
Advance payments, disbursements and other variations	**(3,405)**	(3,259)
Liabilities for employee benefits at the end of the year	**49,943**	**52,509**

(thousands of euros)

The interest cost component of the provision, equal to €385 thousand, was recognised under financial expense. The utilisation of €3,405 thousand of the severance pay provision reflected benefits paid out to personnel leaving the Group during the year and advances disbursed to personnel who so requested.
The difference between the expected value of provision at the end of observation period and the expected present value of benefits payable in the future, recalculated at period end on the basis of the updated assumptions, represents the actuarial gain (loss). In 2020 this calculation generated an actuarial loss of €454 thousand.
The main actuarial assumptions applied in the calculation of severance pay are summarised below:

	31.12.2020	31.12.2019
Discount rate	**0.34%**	0.77%
Inflation rate	**0.80%**	1.20%
Severance pay annual increase rate	**2.100%**	2.400%
Expected turnover rate	**4.00%**	4.00%
Expected rate of advance payments	**2.50%**	2.50%

(thousands of euros)

The discount rate used to calculate the present value of the obligation was determined, consistent with paragraph 83 of IAS 19, using the IBoxx Corporate AA Index with a duration of 10+observed at the measurement date and commensurate with the average length of future service of the personnel involved. The inflation curve was calculated on the basis of current economic developments, where the majority of economic indicators have been partic-

ularly volatile. The annual rate of increase in severance pay is equal to 75% of inflation plus 1.5 percentage points, in compliance with Article 2120 of the Italian Civil Code.
The following provides a sensitivity analysis of the severance pay liability in alternative scenarios for the actuarial assumptions.

	LIABILITIES FOR DEFINED BENEFITS FOR GROUP EMPLOYEES	
	31.12.2020	31.12.2019
Turnover rate + 1%	**49,861**	53,214
Turnover rate -1%	**55,621**	53,987
Inflation rate + 0.25%	**50,873**	54,292
Inflation rate - 0.25%	**49,583**	52,884
Discount rate + 0.25%	**49,197**	52,462
Discount rate - 0.25%	**51,284**	54,741

(thousands of euros)

The average duration of the liability for defined benefit plans is 10.4 years.

21. Current and non-current financial liabilities

Current and non-current financial liabilities include: i) payables to credit institutions for medium/long-term loans with the short-term portion reported under current financial liabilities inclusive of interest expense recognised on an accrual basis; ii) the bond issued by the Parent Company on 4 August 2015, with interest expense accrued for 2020 included under current liabilities; iii) lease liabilities emerging from the application of the new IFRS 16; and iv) the fair value of the financial derivative.
The values at 31 December 2020 compared with those at 31 December 2019 and the associated changes are shown below:

	31.12.2020			31.12.2019			CHANGE		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
Bank loans	**63,938**	**300,048**	**363,986**	13,639	143,713	157,352	50,299	156,335	206,634
Bond	**1,418**	**180,000**	**181,418**	1,418	180,000	181,418	0	0	0
Lease liabilities ex IFRS 16	**2,135**	**5,069**	**7,204**	2,113	7,071	9,184	22	(2,002)	(1,980)
Financial derivatives	**25**	**33**	**58**	0	0	0	25	33	58
Total	**67,516**	**485,150**	**552,666**	**17,170**	**330,784**	**347,954**	**50,346**	**154,366**	**204,712**

(thousands of euros)

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

	31.12.2020	of which with related parties	31.12.2019	of which with related parties
(A) Cash	**316,044**	225	449,268	535
(B) Other cash equivalents	**0**	0	0	0
(C) Trading securities	**0**	0	0	0
(D) Liquidity (A)+(B)+(C)	**316,044**	**225**	**449,268**	**535**
(E) Current financial receivables	**0**	0	24,967	0
(F) Current financial debt	**0**	0	0	0
(G) Current portion of non-current debt	**(65,356)**	0	(15,057)	0
(H) Other current financial debt	**(2,135)**	0	(2,113)	0
(I) Current financial debt (F)+(G)+(H)	**(67,491)**	**0**	**(17,170)**	**0**
(J) Net current financial debt/Liquidity (D)+(E)+(I)	**248,553**	**225**	**457,065**	**535**
(K) Non-current bank loans	**(300,048)**	0	(143,713)	0
(L) Bonds issued	**(180,000)**	0	(180,000)	0
(M) Other non-current loans	**(5,069)**	0	(7,071)	0
(N) Non-current financial debt (K)+(L)+(M)	**(485,117)**	**0**	**(330,784)**	**0**
(O) CONSOB net financial debt (J)+(N)	**(236,564)**	**225**	**126,281**	**535**
(P) Derivatives current and non-current	**(58)**	0	95	0
(Q) Non-current financial receivables	**0**	0	0	0
(R) ENAV Group net financial debt (O)+(P)	**(236,622)**	**225**	**126,376**	**535**

(thousands of euros)

Bank loans at 31 December 2020 registered a net increase of €206,634 thousand, reflecting the following developments and the effects associated with amortised cost measurement: i) three new loans totalling €220 million, including the 16-year credit line obtained from the European Investment Bank (EIB) in the amount of €70 million and the subscription of two ESG Sustainability Linked Term Loans totalling €150 million under two bilateral contracts of, respectively, of €100 million with Intesa Sanpaolo and €50 million with Mediobanca, with a term of three years at an interest rate indexed to Euribor; and ii) the repayment of two half-year instalments of the loan from the EIB (with an initial value of €80 million) in the total amount of €5,333 thousand, with the final payment falling due on 12 December 2032 and the repayment of two half-year instalments of another loan from the EIB (with an initial value of €100 million) in the total amount of €8,207 thousand, with the final payment falling due on 19 December 2029.

The instalments of the above loans falling due in 2021 in line with the repayment plans are recognised under current liabilities in the total amount of €63,938 thousand, which includes the effect of amortised cost measurement. At 31 December 2020, the Group had unused committed and uncommitted short-term credit lines totalling €292 million.

The following table provides an analysis of the loans with the general conditions for each individual Group credit relationship with the lenders. With regard to advances from the Unicredit and Intesa San Paolo, note that the conditions applied are agreed on a case-by-case basis and reflect market developments.

Lender	Type	Amount granted	Amount used (nominal value)	Amount available	Carrying amount	Rate
BNL-Bnp Paribas	Acc. credit - overdraft	24,000	0	24,000	0	Euribor + spread
Unicredit	Export advance payments	15,000	0	15,000	0	Euribor + spread
Unicredit	Financial advance payments	52,000	0	52,000	0	Euribor + spread
Intesa San Paolo	Financial advance payments	50,000	0	50,000	0	Euribor + spread
Intesa San Paolo	Acc. credit - overdraft	1,000	0	1,000	0	Euribor + spread
BNL-Bnp Paribas	RCF	50,000	0	50,000	0	Euribor + spread
Unicredit	RCF	100,000	0	100,000	0	Euribor + spread
Total		**292,000**	**0**	**292,000**	**0**	

(thousands of euros)

The average interest rate on bank loans in the reference period was 1.35%, slightly lower than the rate for the previous year (1.70%).

Lease liabilities under IFRS 16 include a total of €7,204 thousand in financial liabilities in respect of rights of use, consistent with contractual due dates. During 2020, that liability decreased as a consequence of payments made.

Financial derivatives include the fair value of the financial instrument obtained by the Parent Company in order to hedge the exposure to unfavourable changes in the EUR/USD exchange rate. The financial instrument establishes a perfectly effective hedging relationship, accounted for with the cash flow hedge method. See note 34 for the information required by IFRS 7.

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

In relation to the disclosure required under IFRS 7, the fair value of the bond, understood as the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, was estimated at €187.5 million.

The Group estimated the fair value of the bond on the basis of market data from a leading information provider, applying an additional spread for the ENAV counterparty to the zero curve.

With regard to other financing transactions, note that the fair value of bank loans at 31 December 2020 was estimated at €367.9 million. The estimate was made considering a free risk curve of market rates, plus a spread equal to the BTP/Bund differential to reflect the credit risk component.

22. Current and non-current trade payables

Current trade payables amounted to €149,812 thousand, an increase of €11,058 thousand on the previous year, mainly attributable to balance payables.

	31.12.2020	31.12.2019	CHANGE
Current trade payables			
Payables to suppliers	**101,389**	106,512	(5,123)
Payables for advances received for projects with EU financing	**3,110**	8,739	(5,629)
Balance payables	**45,313**	23,503	21,810
Total	**149,812**	**138,754**	**11,058**
Non-current trade payables			
Payables to suppliers	**210**	175	35
Payables for balances	**8,296**	49,242	(40,946)
Total	**8,506**	**49,417**	**(40,911)**

(thousands of euros)

Payables to suppliers of goods and services necessary for the Group's operations show a net decrease of €5.1 million connected with a decrease in invoices received and payments made pertaining to the Parent Company, partly offset by an increase in the liabilities of Group companies for progress on project contracts.

Payables for advances received for projects with EU financing, amounting to €3,110 thousand, decreased by a net €5,629 thousand compared with 31 December 2019. The item includes: i) a reduction in pre-financing for the 2017 call of the Connecting Europe Facility (€3.8 million), which following the final accounting led to the recognition of the accrued portion in profit or loss; ii) the reclassification to deferred income of the part allocated to investment projects and the recognition of receivables from others of the amounts to be received as interim payments from the European Commission; iii) the receipt of the second pre-financing for the 2016 call of the CEF in the amount of €0.5 million; and iv) collection of pre-financing under SESAR 2020.

Payables for Eurocontrol balances amounted to €53,609 thousand, of which the part classified under current payables came to €45,313 thousand and corresponds to the amount that will be charged to profit or loss in 2021 in accordance with adjustments of rates. The overall decrease of €19.1 million in payables for balances at 31 December 2020 mainly reflects the net effect of the registration of new balances in 2020 in respect of balances for Eurocontrol costs of €4.3 million net of discounting and the reversal through profit or loss of the 2020 share, consistent with adjustments of rates, in the total amount of €24.3 million.

23. Other current and non-current liabilities

Other current and non-current liabilities showed an overall decrease of €9,190 thousand compared with the previous year, as a result of the changes in the items reported in the following table:

	31.12.2020			31.12.2019			CHANGE		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
Payments on account	**38,414**	**0**	**38,414**	93,410	0	93,410	(54,996)	0	(54,996)
Other payables	**91,925**	**9**	**91,934**	41,260	1,027	42,287	50,665	(1,018)	49,647
Accruals and deferrals	**8,445**	**171,395**	**179,840**	8,158	175,523	183,681	287	(4,128)	(3,841)
Total	**138,784**	**171,404**	**310,188**	**142,828**	**176,550**	**319,378**	**(4,044)**	**(5,146)**	**(9,190)**

(thousands of euros)

Payments on account amounted to €38,414 thousand and include €31,171 thousand in respect of the debt to the Italian Air Force (IAF) for the portion of accrued revenues received in 2020 for en-route and terminal services and €7,243 thousand in respect of the debt to Italian Civil Aviation Authority (ENAC) for accrued revenues concerning the same services. The net decrease of €54,996 thousand for the year reflects the decrease in receipts in 2020 for en-route and terminal services as a result of the decline in air traffic control operations. During the year, the IAF was paid its accrued share for terminal services in the amount of €14.7 million and IAF payments on account for en-route services registered at 31 December 2019 were offset against the receivable due from the Ministry for the Economy and Finance (MEF), which produced a liability of €65.4 million, which was recognised under other payables.

Other payables amounted to €91,925 thousand, a net increase of €49,647 thousand compared with the previous year. On the one hand, this reflected the recognition of payables to the MEF in the amount of €65.4 million and, on the other, a reduction in payables to personnel due to a decrease in provisions accrued for the year and the decline in the liability for holiday entitlement accrued and not taken as a result of the use of holiday entitlement accrued in previous years and the use of much of that entitlement for 2020, totalling €16,605 thousand (€31,239 thousand at 31 December 2019).

Deferred income mainly refers to deferred income relating to investment projects that had received grant support, of which the current portion represents the amount that will be reversed to profit or loss in the next 12 months. In particular, the item includes: i) the Infrastructure and Networks NOP grants for the period 2000-2006, 2007-2013 and 2014-2020 concerning specific investments made in southern airports in the amount, net of amounts taken to profit of loss, of €79,194 thousand (€84,145 thousand at 31 December 2019); ii) capital grants for investments at military airports, in accordance with the provisions of Law 102/09, amounting to €57,286 thousand (€59,549 thousand at 31 December 2019); iii) grants linked to the investment projects funded through the 2014, 2015 and 2016 calls of the CEF programme in the amount of €38,778 thousand (€35,435 thousand at 31 December 2019), increasing as a result of the final accounting of the investment projects receiving 50% funding under the 2015 and 2017 calls of the CEF programme.

24. Tax and social security payables

Tax and social security payables amounted to €24,755 thousand and break down as shown in the following table.

	31.12.2020	31.12.2019	CHANGE
Tax payables	**10,522**	17,415	(6,893)
Social security payables	**14,233**	18,531	(4,298)
Total	**24,755**	**35,946**	**(11,191)**

(thousands of euros)

Tax payables showed a decrease of €6,893 thousand, mainly attributable to a decrease in IRES liabilities totalling €2.2 million, compared with the IRES liability for 2019 of €9.1 million. The amount also includes withholding taxes on employee remuneration, which were paid to the tax authorities in January 2021.

Social security payables declined by €4,298,090 thousand, mainly reflecting the decrease in contributions on accrued personnel costs and the release of contributions for holiday entitlement accrued but not used amounting to €3,959 thousand (€8,371 thousand at 31 December 2019).

Notes to the consolidated income statement

25. Revenues from contracts with customers

Revenues from contracts with customers, represented by revenues from operating activities and the balance adjustment component, totalled €735,594 thousand, down €129,198 thousand compared with the previous year, mainly due to the effects of the COVID-19 pandemic, which caused a sharp contraction in services connected with the operations of the air transport sector in respect of Eurocontrol during the period, only partially offset by the recognition of the balance, which reflects the position adopted by the European Commission, and by the increase in revenues from the non-regulated market, thanks in part to the revenues generated by the subsidiary IDS AirNav, which in 2019 had only contributed for about six months.
The following tables provide a breakdown of the individual items that make up the revenues from contracts with customers in addition to a breakdown of those revenues by nature and type of activity in accordance with the requirements of IFRS 15.

			CHANGE	
	2020	**2019**	**no.**	**%**
En route revenues	**233,136**	689,386	(456,250)	-66.2%
Terminal revenues	**81,899**	231,067	(149,168)	-64.6%
En route and terminal exemptions	**10,239**	12,113	(1,874)	-15.5%
Revenues from non-regulated market	**26,942**	19,201	7,7-41	40.3%
Total revenues from operations	**352,216**	**951,767**	**(599,551)**	**-63.0%**
Balance	**383,378**	(86,975)	470,353	n.a.
Total revenues from contracts with customers	**735,594**	**864,792**	**(129,198)**	**-14.9%**

(thousands of euros)

EN-ROUTE REVENUES

En-route revenues amounted to €233,136 thousand, a decrease of 66.2% on 2019, reflecting a decrease in service units generated during the period as a result of the COVID-19 emergency, which led to the reduction and even closure of air routes at the EU and extra-EU levels, with the contraction in service units at the end of 2020 amounting to 61.0% (+6.6% 2019 over 2018). This effect was compounded by the 15.3% reduction in the en-route rate applied in 2020 (€66.02 in 2020 compared with €77.96 in 2019). The reduction net of balances amounted to 7.4%.
Considering en-route revenues including the exempt flights component, which posted a decrease of €1,783 thousand as a result of the decline of 5.7% in service units during the year (-3.6% in 2019 over 2018), and the adjustment component for balances, which includes the portion recognised in the year including the effect of discounting, the portion recognised in previous years and included in rates in 2020 and, consequently, profit or loss for the same year, and the balance for changes in Eurocontrol costs, en-route revenues totalled €517,019 thousand, a decrease of €108,241 thousand, as shown below:

			CHANGE	
	2020	**2019**	**no.**	**%**
En-route revenues	**233,136**	689,386	(456,250)	-66.2%
En-route exemptions	**7,890**	9,673	(1,783)	-18.4%
Subtotal en route revenues	**241,026**	699,059	(458,033)	-65.5%
En-route balances for the year	**295,025**	(20,007)	315,032	n.a.
Discounting of balances for the year	**(15,299)**	408	(15,707)	n.a.
Use of en-route balances n-2	**628**	(53,655)	54,283	-101.2%
Subtotal balance	**280,354**	(73,254)	353,608	n.a.
En-route revenues with balance	**521,380**	625,805	(104,425)	-16.7%
Balance for delta Eurocontrol costs prev. year	**(4,361)**	(545)	(3,816)	700.2%
Total en-route revenues with balance	**517,019**	**625,260**	**(108,241)**	**-17.3%**

(thousands of euros)

The en route balance amounted to €295,025 thousand, a marked increase compared with 2019, and was determined on the basis of the proposal of the European Commission, which is still being negotiated among the Member States, which provides for a percentage reduction to be applied to actual determined costs for 2020, compared with actual revenues generated that year, enabling the partial recovery of the decrease in revenues caused by the COVID-19 pandemic, which reduced actual service units by 61.7% compared with their forecast level, while the reduction in actual revenues came to 65.5% compared with the previous year, which also reflects the reduction in the en-route rate applied during the year. Considering that the balance will be recovered over five years starting from 2023 in accordance with the provisions of the EU Regulation we discounted them over that period, producing an overall negative value of €15,299 thousand. In 2020, the negative balance of €4,361 thousand was recognised as an adjustment of Eurocontrol costs for 2019.

The use of the en-route n-2 balance accumulated in previous years and included in 2020 rates amounted to €628 thousand.

TERMINAL REVENUES

Terminal revenues amounted to €81,899 thousand, a decrease of 64.6% compared with the previous year, due to the decrease in service units posted by the individual airports in the different charging zones, with the COVID-19 pandemic causing the closure of certain airports for months in 2020. The reduction in service units came to 60.8% overall (+3.6% in 2019 over 2018), compounded by the reduction in unit rates applied in all three charging zones. In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted a decrease in assisted air traffic, expressed in service units, of 68.7% (+1.6% in 2019 over 2018), with the greatest reductions coming in international air traffic. This factor was compounded by a decrease of 12.25% in the terminal rate applied in 2020, which amounted to €167.33 compared with €190.69 in 2019.

Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio registered a decrease in assisted air traffic, expressed in service units, of 58.7% compared with 2019 (+4.3% in 2019 over 2018), which experienced strong performance in the first two months of the year (+3.3%), followed by the plunge in traffic as from March as a result of the COVID-19 emergency, which even led to temporary closure of the Milan Linate and Bergamo Orio al Serio airports. The terminal rate for 2020 is €167.56, a decrease of 15.19% on that applied in 2019 (€197.56).

Charging Zone 3, which comprises 40 medium - and low-traffic airports recorded a decrease in assisted air traffic, expressed in service units, of 58.2% (+4.0% in 2019 over 2018), with the growth in the first two months of 2020 (+2.8%) followed by a steep decline in the subsequent months due to the health emergency and the closure of a number of airports. The terminal rate in 2020 is €298.93, down 6.3% on the charge applied in 2019 (€318.98).

Considering terminal revenues including the exempt flights component, which decreased by €91 thousand in reflection of the reduction in unit rates, which more than offset the increase in service units (+10.6%) generated by military flights in response to the health emergency (-9.7% in 2019 over 2018), and the adjustment component for balances, which includes the portion recognised in the year net of discounting effects, and the portion recognised in previous years and included in rates in 2020 and, consequently, profit or loss, terminal revenues totalled €191,633 thousand, down €28,698 thousand on 2019, as shown below:

			CHANGE	
	2020	**2019**	**no.**	**%**
Terminal revenues	**81,899**	231,067	(149,168)	-64.6%
Terminal exemptions	**2,349**	2,440	(91)	-3.7%
Subtotal	**84,248**	**233,507**	**(149,259)**	**-63.9%**
Terminal balances for the year	**105,480**	(10,104)	115,584	n.a.
Discounting of balances for the year	**(5,491)**	169	(5,660)	n.a.
Use of terminal balances n-2	**7,396**	(3,241)	10,637	n.a.
Subtotal	**107,385**	(13,176)	120,561	n.a.
Total terminal revenues with balance	**191,633**	**220,331**	**(28,698)**	**-13.0%**

(thousands of euros)

Terminal balances amounted to a positive €105,480 thousand, an increase of €115,584 thousand compared with 2019. This was determined in compliance with the proposal of the European Commission for en-route rates with regard to the first two charging zones. The impact on air traffic of the COVID-19 health emergency led to a significant reduction in air traffic, producing a reduction in terminal traffic in 2020 of 60.2% in terms of service units and 63.9% in terms of revenues compared with 2019. Set against the reduction in costs required at the European level, this generated the following balances, broken down by charging zone: i) Charging Zone 1 generated a balance of €17.5 million; ii) Charging Zone 2, a balance of €23.8 million; and iii) Charging Zone 3, a balance of €64.2 million. These balances have been discounted as they will be recovered over five years starting from 2023, resulting in a negative €5,491 thousand. Use of the terminal balance registered in previous years and included in the 2020 charge amounted to €7,396 thousand.

Revenues from the non-regulated market amounted to €26,942 thousand, an increase of 40.3% compared with the previous year, mainly attributable to the revenues contributed by the subsidiary IDS AirNav S.r.l. in the amount of €16.6 million, up 65.4% compared with 2019, when it was included in the scope of consolidation for only six months. Revenues were generated by the sale of software licenses, the provision of services and maintenance associated with the products sold to various customers around the world, including the creation of a new system called SEPIA for the management of aeronautical information to the French air navigation service provider DSNA for €1.9 million; the creation of the Aeronautical Information Management (AIM) system for the Civil Aeronautics Administration of Taiwan for €0.7 million; services provided to Zambia Airports Corporation for the Aeronautical Message Handling System (AMHS) and the new dynamic AIM platform for the new Ndola airport for €1.1 million; and services provided for the second phase of the modernisation of the AIM system for the Canadian air navigation service provider for €0.5 million. During the year, work began on the contract for the supply of systems for the new Area Control Centre of Tripoli airport, a contract formalised with the Libyan Civil Aviation Authority.

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

			CHANGE	
	2020	**2019**	**no.**	**%**
Revenues from non-regulated market				
Sale of licenses and delivery of services	**16,563**	10,014	6,549	65.4%
Flight inspection	**1,218**	2,312	(1,094)	-47.3%
Aeronautical consulting	**3,084**	3,657	(573)	-15.7%
Technical and engineering services	**4,060**	1,809	2,251	124.4%
Training	**2**	332	(330)	-99.4%
Other revenues	**2,015**	1,077	938	87.1%
Total revenues from non-regulated market	**26,942**	**19,201**	**7,741**	**40.3%**

(thousands of euros)

26. Other operating income

Other operating income amounted to €45,271 thousand, a decrease of 3.9% on the previous year, mainly reflecting a decrease in revenue from European financing and a decline in other revenues and income, which in 2019 included the revenues from the sale of the parking area of the Academy in Forlì and the positive effects of a settlement with a supplier.

	2020	2019	CHANGE no.	CHANGE %
Capital grants	**9,570**	9,023	547	6.1%
Operating grants	**30,741**	30,349	392	1.3%
European funding	**3,858**	4,943	(1,085)	-22.0%
Other revenues and income	**1,102**	2,807	(1,705)	-60.7%
Total	**45,271**	**47,122**	**(1,851)**	**-3.9%**

(thousands of euros)

Other operating income includes: the portion of capital grants recognised in profit or loss commensurate with the depreciation rates on the assets to which the grants refer in the amount of €9,570 thousand; ii) operating grants of €30,741 thousand, of which the majority (€30 million) in respect of the amount paid to the Parent Company under Article 11-*septies* of Law 248/05 to offset the costs incurred to guarantee the safety of its plant and operational safety, while the remainder regarded courses for operating personnel funded by Fondimpresa; (iii) European funding of €3,858 thousand disbursed following the submission of final accounts for a range of projects, including projects under the 2015 and 2017 calls of the CEF, SESAR 2020, Diode and other minor projects.
The following table provides a breakdown of revenues for 2020 and 2019 by geographical area:

Revenues	2020	% of revenues	2019	% of revenues
Italy	**758,302**	97.1%	895,691	98.2%
EU	**8,823**	1.1%	6,038	0.7%
Non-EU	**13,741**	1.8%	10,185	1.1%
Total revenues	**780,866**		**911,914**	

(thousands of euros)

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

Costs for goods, services, leases and rentals and other operating expenses totalled €127,280 thousand, a decrease of 5.1% on the previous year, reflecting a general decline in the various cost items despite the presence of the costs of IDS AirNav, which was included in the scope of consolidation for the entire year in 2020, compared with just six months in 2019.

	2020	2019	CHANGE no.	CHANGE %
Costs for the purchase of goods	**7,772**	9,894	(2,122)	-21.4%
Costs for services:				
Maintenance costs	**20,000**	17,841	2,159	12.1%
Costs for Eurocontrol contributions	**33,043**	37,150	(4,107)	-11.1%
Costs for utilities and telecommunications	**25,065**	29,119	(4,054)	-13.9%
Costs for insurance	**3,168**	2,670	498	18.7%
Cleaning and security	**5,233**	4,675	558	11.9%
Other personnel-related costs	**6,295**	10,195	(3,900)	-38.3%
Professional services	**12,202**	10,529	1,673	15.9%
Other costs for services	**7,666**	7,309	357	4.9%
Total costs for services	**112,672**	119,488	(6,816)	-5.7%
Costs for the use of third-party assets	**2,116**	2,300	(184)	-8.0%
Other operating expenses	**4,720**	2,482	2,238	90.2%
Total costs for services	**127,280**	**134,164**	**(6,884)**	**-5.1%**

(thousands of euros)

Costs for the purchase of goods, which include costs incurred to purchase spare parts for plant and equipment used for air traffic control and the related change in inventories, as well as purchases of materials for the restructuring and modernisation of airports, decreased by 21.4% due both to a decline in the use of spare parts in operating systems and in purchases of materials, reflecting the postponement of the modernisation of airport sites and the logistical difficulties of procuring such materials as a result of the health emergency. This reduction largely offset the increase in costs incurred for the purchase of COVID-19 personal protective equipment.

Costs for services registered an overall net decrease of €6,816 thousand compared with the previous year, reflecting in particular the following developments: a reduction in costs for Eurocontrol contributions following implementation of the cost containment measures adopted by the agency in the second half of 2020; ii) a reduction of 13.9% in costs for telecommunications for data connections of the E-NET network as a result of the decommissioning of older circuits and the lower costs associated with the new contract as well as a decrease in electricity consumption across the entire country connected with the closure of certain airports and the use of flexible working arrangements. The previous year, the item had benefitted from the cancellation of debtor positions and the settlement of a dispute with a supplier, with an overall positive effect of €1.5 million; iii) a reduction in personnel costs for business travel, which was suspended in response to the COVID-19 emergency. These reductions were partially offset by higher cleaning costs associated with extraordinary sanitisation efforts at all facilities since the beginning of the health emergency, an increase in insurance coverage and greater costs for professional services on sales and R&D projects, as well as due diligence activities connected with the foreign air navigation operations of IDS AirNav.

Other operating expenses amounted to €4,720 thousand, an increase of €2,238 thousand on 2019, reflecting donations to the Lazzaro Spallanzani National Institute for Infectious Diseases and the Civil Protection Department in the fight against COVID-19, the recognition of another €878 thousand to be used to support the fight against COVID-19 as well as costs incurred to formalise contracts with the Libyan Civil Aviation Authority. In 2019, the item reflected the favourable impact of the cancellation of debtor positions no longer due in the amount of about €1 million.

28. Personnel costs

Personnel costs totalled €460,957 thousand, a net decrease of 7.3%, compared with the previous year, mainly concentrated on the variable portion of salaries as a result of measures taken in response to the COVID-19 health emergency. Note that the costs of IDS AirNav were included for the whole year, compared with just six months in 2019, which on a like-for-like basis would have resulted in a net decrease of 8.1%.

			CHANGE	
	2020	**2019**	**no.**	**%**
Wages and salaries, of which:				
Fixed remuneration	**286,002**	281,705	4,297	1.5%
Variable remuneration	**38,369**	72,267	(33,898)	-46.9%
Total wages and salaries	**324,371**	353,972	(29,601)	-8.4%
Social security contributions	**105,354**	113,364	(8,010)	-7.1%
Employee severance pay	**23,176**	23,295	(119)	-0.5%
Other costs	**8,056**	6,487	1,569	24.2%
Total personnel costs	**460,957**	**497,118**	**(36,161)**	**-7.3%**

(thousands of euros)

Fixed remuneration increased by €4,297 thousand, of which €3.1 million attributable to the subsidiary IDS AirNav, which in 2019 was included in the scope of consolidation for only six months, and the remainder to the effects of the renewal of the collective bargaining agreement at the Parent Company in March and December 2019, which impacted 2020 for the entire year, as well as an increase in leave under Law 104/92 as provided for in Decree Law 18/2020 (the "Cure Italy Decree"). The workforce at the end of 2020 numbered 4,147 in effective terms, a decrease of 48 compared with 2019, and 4,235 on average for the period, an increase of 61 compared with the end of 2019, reflecting the inclusion of IDS AirNav personnel for the entire year.
Variable remuneration decreased by a net 46.9%, due to: i) a decrease in overtime for air traffic controllers, which was connected with the decline in air traffic control operations as a result of the health emergency and in holiday work, as well as a decrease in overtime for non-operational staff thanks to the use of flexible working arrangements; and ii) greater use of holiday entitlement, with the positive effect of €10.1 million reflecting the increase in the number of days of holiday used by Group personnel, who almost entirely eliminated the backlog of unused holiday time from previous years and made considerable recourse to their entitlement accruing in 2020; and iii) a reduction in costs for the performance bonuses of executives, who reduced their MBO bonuses by 50%.
Social security contributions decreased by 7.1% as a consequence of the reduction in remuneration due to the effects discussed previously, while other personnel costs rose by 24.2%, mainly reflecting an increase in termination incentives granted to outgoing personnel, which involved 30 employees, compared with 17 in 2019, and an increase in premiums on health insurance policies for employees.
The following table provides a breakdown of Group's workforce by professional category:

	2020	2019	CHANGE
Executives	56	56	0
Middle managers	417	423	(6)
Office staff	3,674	3,716	(42)
Final headcount	**4,147**	**4,195**	**(48)**
Average	**4,209**	**4,148**	**61**

29. Capitalised costs

Capitalised costs amounted to €27,727 thousand (€31,262 thousand in 2019), a decline of 11.3% on the previous year. This mainly reflected a slowdown in investment projects carried out by the subsidiaries Techno Sky and IDS AirNav in response to the health emergency, which also gave rise to delays in the delivery of materials. The item also includes the hours Group personnel were involved on investment projects, including the construction of the new technical facilities for the Genoa airport, the modernisation and installation of airport meteorological systems compliant at various airport sites, work on the radio aid systems of various airports and progress on the installation of the airport LAN at Malpensa airport.

30. Financial income and expense

Net financial expense totalled €6,125 thousand (€4,618 thousand in 2019), reflecting financial income of €1,818 thousand, financial expense of €7,353 thousand and foreign exchange losses of €590 thousand.
The following table provides a breakdown of financial income:

	2020	2019	CHANGE no.	CHANGE %
Income from investments in other entities	**417**	417	0	0.0%
Financial income from discounting of balances	**0**	170	(170)	-100.0%
Financial income from discounting of non-current receivables	**73**	195	(122)	-62.6%
Financial income from current and non-current financial assets	**142**	174	(32)	-18.4%
Other interest income	**1,186**	1,191	(5)	-0.4%
Total financial income	**1,818**	**2,147**	**(329)**	**-15.3%**

(thousands of euros)

Financial income decreased by €329 thousand on the previous year, mainly due to a decline in financial income from the discounting of non-current receivables and balances.
Financial expense amounted to €7,353 thousand, an increase of €526 thousand on the previous year, reflecting an increase in financial expense associated with the discounting of balances and interest expense on the payment extensions granted on current taxes.
The following table provides a breakdown of financial expense:

	2020	2019	CHANGE no.	CHANGE %
Interest expense on bank loans	**2,477**	2,406	71	3.0%
Interest expense on bonds	**3,474**	3,474	0	0.0%
Interest expense on employee benefits	**385**	445	(60)	-13.5%
Interest expense on lease liabilities	**156**	161	(5)	-3.1%
Financial expense on derivatives at fair value	**0**	10	(10)	-100.0%
Financial expense on discounting of receivables	**684**	293	391	n.a.
Other interest due	**177**	38	139	n.a.
Total financial expense	**7,353**	**6,827**	**526**	**7.7%**

(thousands of euros)

31. Income taxes

Income taxes totalled €11,027 thousand, a decrease of €36,673 thousand. The decline reflected the reduction in taxable income and the deferred tax assets recognised on the tax loss of Enav North Atlantic.
The following table provides a breakdown of current taxes:

			CHANGE	
	2020	**2019**	**no.**	**%**
IRES (corporate income tax)	**18,222**	39,826	(21,604)	-54.2%
IRAP (regional business tax)	**4,280**	8,196	(3,916)	-47.8%
Total current taxes	22,502	48,022	(25,520)	-53.1%
Deferred tax assets	**(10,703)**	(221)	(10,482)	n.a.
Deferred tax liabilities	**(772)**	(101)	(671)	n.a.
Total current and deferred tax assets and liabilities	**11,027**	**47,700**	**(36,673)**	**-76.9%**

(thousands of euros)

For more details on the recognition of deferred tax assets and liabilities, please see note 11.
The IRES tax rate for 2020 was equal to 27.6%, an increase over the theoretical rate of 24%, as a result of the emergence of greater definitive taxable changes compared with 2019.
The IRAP tax rate for 2020 was 6.5%, an increase on the theoretical rate of 4.78% as a result of the non-deductibility of the discounting of receivables for IRAP purposes.

	2020		2019	
	IRES	**%**	**IRES**	**%**
Income before taxes	**65,877**		165,968	
Theoretical tax	**15,810**	**24.0%**	39,832	24.0%
Effect of increases/(decreases) compared to the standard tax				
Non-deductible prior-year costs	**78**	**0.1%**	235	0.1%
IRES deduction of IRAP paid on personnel costs	**(109)**	**-0.2%**	(198)	-0.1%
Other	**1,596**	**2.4%**	(589)	-0.4%
Temporary differences for taxed provisions	**847**	**1.3%**	534	0.3%
Actual IRES	**18,222**	**27.6%**	**39,814**	**23.9%**

(thousands of euros)

	2020		2019	
	IRAP	%	IRAP	%
Income before taxes	65,877		165,968	
Theoretical tax	3,149	4.78%	7,933	4.78%
Effect of increases/(decreases) compared to the standard tax				
Other	838	1.3%	155	0.1%
Temporary differences for taxed provisions	0	0.0%	(113)	-0.1%
Financial income and expense	293	0.4%	221	0.1%
Actual IRAP	**4,280**	**6.5%**	**8,196**	**4.9%**

(thousands of euros)

Other information

32. Segment reporting

The ENAV Group is organised in strategic units identified on the basis of the nature of the services provided and, for the purposes of monitoring by management, has the three operating segments described below:

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

The column **Other segments** includes the Group's remaining activities that are not categorised in the other two segments subject to monitoring.
No operating segment has been aggregated to create the operating segments subject to reporting indicated below for 2020 and 2019.

2020

	Flight assistance services	Servicing	AIM software solutions	Other sectors	Consolidation adjustments/ reclassification	Enav Group
Revenues from third parties	756,954	3,840	16,839	3,284	(52)	780,865
Intersegment revenues	4,719	91,209	3,825	0	(99,753)	0
Total revenues	**761,673**	**95,049**	**20,664**	**3,284**	**(99,805)**	**780,865**
Personnel costs	(401,380)	(51,401)	(8,210)	(18)	52	(460,957)
Other net costs	(168,636)	(16,680)	(8,085)	(2,978)	96,826	(99,553)
Total operating costs	**(570,016)**	**(68,081)**	**(16,295)**	**(2,996)**	**96,878**	**(560,510)**
Depreciation and amortisation	(136,568)	(1,656)	(728)	(309)	1,190	(138,071)
Writedowns and provisions	(10,467)	(159)	(529)	(5)	0	(11,160)
EBIT	**44,622**	**25,153**	**3,112**	**(26)**	**(1,737)**	**71,124**
Financial income and expense	7,431	10	(277)	(94)	(13,195)	(6,125)
Income before taxes	**52,053**	**25,163**	**2,835**	**(120)**	**(14,932)**	**64,999**
Income taxes	(8,710)	(6,869)	(555)	4,630	477	(11,027)
Net profit (loss) for the year	**43,343**	**18,294**	**2,280**	**4,510**	**(14,455)**	**53,972**
Total assets	**2,205,942**	**98,893**	**27,486**	**72,423**	**(213,332)**	**2,191,412**
Total liabilities	**1,132,033**	**60,302**	**20,412**	**6,573**	**(113,375)**	**1,105,945**
Net financial debit	**(243,391)**	**2,606**	**(4,319)**	**8,482**	**0**	**(236,622)**

(thousands of euros)

2019

	Flight assistance services	Servicing	AIM software solutions	Other sectors	Consolidation adjustments/ reclassification	ENAV Group
Revenues from third parties	896,788	1,876	10,253	2,997	0	911,914
Intersegment revenues	2,988	98,609	1,431	1	(103,029)	0
Total revenues	**899,776**	**100,485**	**11,684**	**2,998**	**(103,029)**	**911,914**
Personnel costs	(430,739)	(62,684)	(3,675)	(20)	0	(497,118)
Other net costs	(181,026)	(17,034)	(3,034)	(2,352)	100,544	(102,902)
Total operating costs	**(611,765)**	**(79,718)**	**(6,709)**	**(2,372)**	**100,544**	**(600,020)**
Depreciation and amortisation	(139,632)	(1,875)	(100)	(140)	2,262	(139,485)
Writedowns and provisions	(1,517)	(283)	(23)	0	1	(1,822)
EBIT	**146,862**	**18,609**	**4,852**	**486**	**(222)**	**170,587**
Financial income and expense	6,376	(56)	(82)	(91)	(10,765)	(4,618)
Income before taxes	**153,238**	**18,553**	**4,770**	**395**	**(10,987)**	**165,969**
Income taxes	(41,357)	(5,359)	(1,391)	354	53	(47,700)
Net profit (loss) for the year	**111,881**	**13,194**	**3,379**	**749**	**(10,934)**	**118,269**
Total assets	**2,116,572**	**105,795**	**17,950**	**71,224**	**(200,412)**	**2,111,129**
Total liabilities	**973,400**	**72,344**	**13,152**	**4,638**	**(108,448)**	**955,086**
Net financial position	**121,983**	**(1,579)**	**(2,784)**	**8,756**	**0**	**126,376**

(thousands of euros)

33. Related parties

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

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

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

BALANCE AT 31.12.2020

Name	Trade receivables and other current and non-current assets	Current and non-current financial assets	Cash and cash equivalents	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for leases and rentals
External related parties							
Ministry for the Economy and Finance	10,243	0	225	91,866	10,239	0	0
Ministry of Sustainable Infrastructure and Mobility	72,991	0	0	0	34,776	0	0
Enel Group	0	0	0	749	0	6,144	0
Leonardo Group	399	9,851	0	17,174	12	3,031	0
Other external related parties	0	0	0	54	94	162	24
Balance in financial statements	***196,581***	***9,851***	***316,044***	***288,596***	***780,865***	***120,444***	***2,116***
as % of balance in financial statements	***42.5%***	***100.0%***	***0.1%***	***38.1%***	***5.8%***	***7.8%***	***1.1%***

(thousands of euros)

BALANCE AT 31.12.2019

Name	Trade receivables and other current assets	Current and non-current financial assets	Cash and cash equivalents	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for leases and rentals
External related parties							
Ministry for the Economy and Finance	12,115	0	535	77,515	12,113	0	0
Ministry of Sustainable Infrastructure and Mobility	79,321	0	0	0	35,174	0	0
Enel Group	0	0	0	597	0	5,928	0
Leonardo Group	684	10,658	0	17,644	407	2,418	0
Other external related parties	0	0	0	63	90	292	22
Balance in financial statements	***277,779***	***36,067***	***449,268***	***281,582***	***911,913***	***129,382***	***2,300***
as % of balance in financial statements	***33.2%***	***29.6%***	***0.1%***	***34.0%***	***5.2%***	***6.7%***	***1.0%***

(thousands of euros)

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

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

Key management personnel comprise the ENAV CEO and four executives holding senior positions in the Group, namely the Chief Financial Officer, the Chief Human Resources and Corporate Services Officer, the Chief Operating Officer and the Chief Technology Officer.
The remuneration of the Group's key management personnel, gross of pension and social security costs and contributions, is reported in the following table:

	2020	2019
Short/medium term remuneration	**1,862**	2,006
Other long-term benefits	**0**	0
Share-based payments	**1.083**	575
Total	**2,945**	**2,581**

(thousands of euros)

The remuneration paid by the Group to the Board of Auditors amounted to €232 thousand (€206 thousand in 2019).
For more details, please see the Remuneration Report prepared pursuant to Article 123-ter of the Consolidate Law.
The Parent Company participates in the Prevaer Pension Fund, which is the national supplementary pension fund for non-executive personnel working in the air transport and similar sectors. As provided for in Article 14 of the articles of association of the Prevaer Fund, whose corporate bodies are the delegated shareholders' meeting, the board of directors, the chairman and the vice chairman and the board of auditors, shareholder representation is based on the equal participation of workers' representatives and representatives of the participating businesses. The Fund's board of directors resolves, among other things, on the general criteria for risk sharing in investments as well as on investment policies, the selection of asset managers and the designation of the custodian bank.

34. Disclosures on the long-term incentive plan

On 28 April 2017, the ENAV S.p.A. Shareholders' Meeting approved the "Long-term share-based incentive plan for the management of ENAV and its subsidiaries" for 2017-2019 and on 11 December 2017 the Board of Directors approved the Plan Rules, which govern the operation of the Plan, marking the start of the Plan's first vesting cycle. The start of the second vesting cycle for 2018-2020 was approved by the Board of Directors on 13 November 2018. The start of the third vesting cycle for the 2019-2021 period was approved by the Board of Directors on 15 May 2019.
Given the expiry of the three vesting cycles of the first incentive plan, on 21 May 2020 the Shareholders' Meeting approved a long-term share-based incentive plan for 2020-2022 and on 22 December 2020 the Board of Directors approved the Plan Rules and the first vesting cycle for 2020-2022 began.
The Plan is structured into three cycles, each lasting three years, and provides for the free grant to the beneficiaries of rights to receive a variable number of ENAV S.p.A. ordinary shares subject to achieving specific performance targets for each cycle. The target aggregates are cumulative EBIT, total shareholder return (TSR) and cumulative free cash flow, as well as – for the second long-term incentive plan – a sustainability indicator represented by obtaining

certification of ENAV as carbon neutral by 31 December 2022.
The Plan envisages a three-year vesting period for all beneficiaries between the time of the grant and the vesting of the entitlement of the beneficiaries to receive the shares. The incentive plan also includes a lock-up period for a portion of any shares delivered to the beneficiaries, i.e. the Chief Executive Officer, key management personnel and any other specified managers.
The performance targets are composed of the following indicators:

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

With regard to the measurement of the long-term share-based incentive plan pursuant to the provisions of IFRS 2, the calculation method used for the market-based component is the Monte Carlo method, which, on the basis of appropriate assumptions, made it possible to define a large number of alternative scenarios over the time horizon considered. By contrast, the non-market-based component is not significant for the purpose of estimating the fair value at the time of the grant, but it must be updated at every reporting date to take account of the expectations for the number of rights that may vest based on the performance of EBIT and free cash flow compared with the Plan targets.
At 31 December 2020, the overall fair value of the first and second vesting cycles was to €1.1 million and takes account of the adjustment for the first vesting cycle (2017-2019), which underwent final determination of the performance achieved and award of the incentive in 2020. The details for each vesting cycle are provided below.

FIRST VESTING CYCLE 2017-2019

The first cycle was completed with the approval of the financial statements for 2019. In accordance with the Rules, 427,897 shares were awarded to the plan beneficiaries in accordance with the determination of the performance achieved in the amount of €1.8 million.

SECOND VESTING CYCLE 2018-2020

The target was also assumed to have been reached for the second vesting cycle of the Plan, with 242,434 shares and a total fair value of €0.9 million. The second cycle envisaged 10 beneficiaries and the cost recognised for 2020 was equal to €0.2 million, while equity reserve amounted to €0.8 million.
Following registration of the results of the 2018-2020 vesting cycle, the level of performance achieved will be determined in order to quantify the shares to be awarded.

THIRD VESTING CYCLE 2019-2021

The target was also assumed to have been reached for the third cycle of the plan, with 176,545 shares and a total fair value of €0.8 million. The third cycle envisaged 8 beneficiaries and the cost recognised for 2020 was equal to €0.2 million, while the equity reserve amounted to €0.5 million.

FIRST VESTING CYCLE 2020–2022

The first vesting cycle for 200-2022 envisaged 9 beneficiaries and assumed achievement of the target with 300,403 shares and a fair value of €0.8 million. The cost recognised for 2020 was equal to €0.3 million, the same as the balance of the equity reserve.

35. Derivatives

During April 2019, the Parent Company entered into five derivative contracts, two of which already exercised, with the aim of hedging exposure to unfavourable developments in the euro/dollar exchange rate deriving from the Data Services Agreement signed by the Parent Company with Aireon LLC for the acquisition of satellite surveillance data. This contract provides for the payment in dollars of service fees on an annual basis until 2023. The exchange risk was managed through forward currency purchases whose residual notional value at the reporting date was $3.6 million.

The fair value of derivatives was a negative €58 thousand at 31 December 2020. In accordance with IFRS 13, the mark-to-market value was adjusted to also take account of the effect of non–performance risk (CVA), i.e. the risk that one of the parties will not meet its contractual commitments as the result of a possible default. From an accounting perspective, the positive or negative fair value was recognised in current/non-current financial assets/liabilities based on the contractual maturity, with a matching entry in an equity reserve.

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

The contractual characteristics and the relative fair value at 31 December 2020, as indicated in bank communications, are listed below:

Counterparty	Transaction type	Date of contract	Expiration date	Notional (thousands of USD)	Forward exchange rate	Forward value (thousands of euros)	MtM Bank (thousands of euros)
BNL - BNP Paribas	Buy USD (Fwd)	02/04/19	15/01/21	810	1.1776	688	(24.6)
BNL - BNP Paribas	Buy USD (Fwd)	02/04/19	14/01/22	1,392	1.2063	1,154	(23.7)
BNL - BNP Paribas	Buy USD (Fwd)	02/04/19	13/01/23	1,392	1.2340	1,128	(7.3)
Total				**3,594**		**2,970**	**(55.6)**

The fair value at the end of 2020 is reported in the following table, adjusted to take account of the Debit Valuation Adjustment:

Counterpary	Transaction type	Notional (thousands of USD)	Forward value (thousands of euros)	MtM	Debit Valuation Adjustment (DVA)	MtM CVA (thousands of euros)
BNL - BNP Paribas	Buy USD (Fwd)	810	688	(25.5)	0.3	(25.2)
BNL - BNP Paribas	Buy USD (Fwd)	1,392	1,154	(25.1)	0.5	(24.6)
BNL - BNP Paribas	Buy USD (Fwd)	1,392	1,128	(8.9)	0.3	(8.6)
Total		**3,594**	**2,970**	**(59.5)**	**1.1**	**(58.4)**

It was not possible to identify an active market for these instruments. The fair value was therefore calculated using a method consistent with level 2 of the fair value hierarchy defined by IFRS 7 and IFRS 13. Although quotes on an active market are not available for the instruments (level 1), it was possible to find data observable directly or indirectly on the market on which the measurements could be based.
Due to the substantive features of the derivatives, they are classified as hedging instruments. The information required under the IFRS on the instruments is given below:

MATURITY ANALYSIS

Expiry	BNL exchange rate derivative (euro/000)
Up to 1 month	(25,2)
Between 1 and 3 months	0,0
Between 3 and 6 months	0,0
Between 6 and 12 months	0,0
Between 1 and 2 years	(24,6)
Between 2 and 3 years	(8,6)
Between 3 and 5 years	0,0
Between 5 and 10 years	0,0
More than 10 years	0,0
Total	**(58,4)**

SENSITIVITY ANALYSIS

Transaction type	Fair value (euro/000)	Delta equity Eur/FX +5% (euro/000)	Delta equity Eur/FX -5% (euro/000)
Forward purchase (BNL)	**(58)**	**107**	**(182)**

36. Assets and liabilities by maturity

	Within the next financial year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	9,851	347		10,198
Deferred tax assets	0	27,148	0	27,148
Non-current tax receivables	0	23,858	0	23,858
Non-current trade receivables	0	226,836	159,135	385,971
Other non-current receivables	0	7,765	0	7,765
Total	**9,851**	**285,954**	**159,135**	**454,940**
Financial liabilities	67,516	357,906	127,244	552,666
Deferred tax liabilities	0	6,729	0	6,729
Other non-current liabilities	0	36,717	134,687	171,404
Non-current trade payables	0	8,296	0	8,296
Total	**67,516**	**409,648**	**261,931**	**739,095**

(thousands of euros)

Non-current trade receivables falling due after the 5th year refer to the portion of balances recognised in 2020 that, in conformity with the EU Regulation governing the charging scheme, will be recovered over five years as from 2023.

Financial liabilities falling due after the 5th year refer to the bank loans commented on in detail in Note 40.

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

37. Guarantees and commitments

Guarantees regard sureties granted to third parties in the interest of the Group in the amount of €5,471 thousand (€5,733 thousand at 31 December 2019), a net decrease of €262 thousand attributable mainly to the impact of the release of sureties issued in previous years to secure foreign contracts and the issue of new guarantees.

38. Basic and diluted earnings per share

Basic earnings per share are reported at the end of the income statement and are calculated by dividing the consolidated profit for the year by the weighted average number of ordinary shares outstanding during the year.
Share capital, which did not change during the year, is composed of 541,744,385 ordinary shares. The Parent Company holds 772,103 treasury shares after the award in 2020 of the shares pertaining to the first vesting cycle (2017-2019) of the Long-Term Incentive Plan.
The table below summarises the calculation.

	2020	2019
Consolidated profit	**53,972,216**	118,268,141
Weighted average number of ordinary shares	**540,722,675**	540,544,385
Basic Profit (loss) per share	**0.10**	0.22
Diluted Profit (loss) per share	**0.10**	0.22

39. Transparency in the system of government grants

Pursuant to Article 1, paragraphs 125 and 126, of Law 124/2017 as amended, the following provides information on grants received from Italian government entities. The disclosures regard grants exceeding €10 thousand from the same grantor entity in 2020, including amounts disbursed in more than one transaction. The transactions are recognised on a cash basis.

Grantor	Date of receipt	Amount	Description
Ministry of Sustainable Infrastructure and Mobility	06/11/2020	30,000	Operating grant to offset costs incurred by Parent Company to ensure safety of its plant and operating safety pursuant to Article 11-septies of Law 248/05
Ministry of Sustainable Infrastructure and Mobility	17/02/2020	2,615	Infrastructure and Networks NOP 2014-2020
Ministry of Sustainable Infrastructure and Mobility	05/08/2020	196	2007-2013 ACP Safeguard Programmes
Ministry of Sustainable Infrastructure and Mobility	11/11/2020	3,454	2007-2013 ACP Safeguard Programmes
Total Ministry of Sustainable Infrastructure and Mobility		36,265	
Total		36,265	

(thousands of euros)

40. Management of financial risks

In conducting its business, the ENAV Group is exposed to various financial risks such as market risks (foreign exchange 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 the Group's top management, which are entrusted with providing strategic guidance and overseeing risk management and the policies that define the roles and responsibilities for the management processes, the structure of limits, the model of relationships 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 receivables deriving from operations on the non-regulated market and 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 Eurocontrol. In this context, the measurement of the credit risk in respect of Eurocontrol is directly correlated with the risk associated with the airline industry. More specifically, Eurocontrol does not assume any credit risk with regard to the possible insolvency of carriers and it only settles its liabilities with the Parent Company after it has collected the respective sums from the carriers. Eurocontrol will, however, take action to recover the receivables, initiating legal proceedings where necessary.

A provision for doubtful accounts (expected credit loss allowance) is recorded in the financial statements against the risk of default by the Group's debtors in accordance with IFRS 9. It was specifically updated during the year to take account of the health emergency, based on the deterioration of the credit standing of a basket of companies representing the air transport sector.

LIQUIDITY RISK

Liquidity risk is the risk that the Group, despite being solvent, might be unable to promptly meet 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 on unfavourable financial terms due to factors related to the perception of its risk by the market or during systemic crises such as, but not limited to, credit crunches and sovereign debt crises, or because it fails to comply with the covenants envisaged in certain loan agreements and the bond issue.
Although it does not have a cash pooling system, the Group's liquidity is largely managed and monitored by the Parent Company at a 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 2020, the Group had €316 million in available cash and €292 million in unused short-term lines of credit. These include: i) €142 million in uncommitted lines of credit subject to revocation, which do not require compliance with either covenants or other contractual commitments. Of that total, €25 million are held in current account overdrafts, €102 million in financial advances which can be drawn on without any constraints regarding their use and €15 million in export financing; and ii) two committed lines of credit obtain in May 2020 in the total amount of €150 million, falling due in May 2022.
Funding initiatives to manage the liquidity risk included: i) the use, in August 2020, of the third and final instalment of the European Investment Bank (EIB) loan of €70 million, with a term of 16 years; and ii) the receipt in October 2020 of two term loans totalling €150 million, which have a term of three years and are amortising and indexed to 3-month Euribor with further provision for price adjustment mechanisms linked to sustainability parameters (Environmental, Social and Governance).
In the longer term, liquidity risk is mitigated by a debt management strategy that diversifies the sources of financing in terms of both types of credit facilities and counterparties, with a view to meeting the Group's financial requirements and establishing 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 Finance and Procurement unit defines the short- and medium/long-term financial structure and the management of the cash flows. The decisions were mainly aimed at: i) guaranteeing that adequate financial resources were 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 short-term debt and the coverage of medium-/long-term debt falling due over a time horizon of 24 months, even in the event of restrictions on access to credit; iv) ensuring an adequate level of flexibility for the Group's medium/long-term development projects, relating to investment contracts for the technology and infrastructure modernisation of flight assistance systems.
The Group's gross financial exposure at 31 December 2020 stood at €543.7 million and is represented by bank debt for medium/long-terms loans of €363.7 million and the exposure to holders of the bond issued on 4 August 2015 maturing on 4 August 2022, with a principal amount of €180 million.
The following table reports the due dates of the medium/long-term bank loans and the bond stated at the nominal value, excluding the effect of amortised cost measurement.

Lender	Type	Outstanding debt at 31.12.2020	<1 year	From 1 to 2 years	From 3 to 5 years	> 5 years
EIB - European Investment Bank	15-year loan	79,712	8,332	8,458	26,155	36,767
EIB - European Investment Bank	15-year loan	64,000	5,333	5,333	16,000	37,334
EIB - European Investment Bank	15-year loan	70,000	0	2,414	14,483	53,103
Intesa Sanpaolo	3-year loan	100,000	33,333	33,333	33,334	0
Mediobanca	3-year loan	50,000	16,666	16,667	16,667	0
Bond		180,000	0	180,000	0	0
Total		**543,712**	**63,664**	**246,205**	**106,639**	**127,204**

(thousands of euros)

The above loan agreements include general commitments and covenants for the Parent Company, some of which have negative provisions, which, although in line with market practices for loan agreements for similar amounts and types, could restrict operations. Specifically, these agreements envisage 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 agreements between the Parent Company and the European Investment Bank (EIB) for €180 million in 2014 and €70 million in 2016, which were entered into in order to fund investment projects associated with 4-Flight and other projects, in respect of which, at 31 December 2020, the Parent Company had used the entire loan in the amount of €250 million, with the following repayment plan: i) semi-annual instalments in arrears from December 2018 until December 2029, with a fixed interest rate of 1.515%, for the tranche of €100 million; (ii) semi-annual instalments in arrears from June 2018 to December 2032 with a fixed interest rate of 1.01% for the tranche of €80 million; and iii) semi-annual instalments in arrears from August 2022 to August 2036 with a fixed interest rate of 0.638% for the tranche of €70 million. These agreements include:
  - a negative pledge clause, i.e. a commitment by the Parent Company not to establish or allow the establishment of encumbrances on any of its assets, where encumbrances refer to any agreement or transaction relating to goods, receivables or cash used as an instrument to obtain credit or fund the acquisition of an asset;
  - a cross-default clause, which gives the EIB the right to demand early repayment of the loan if Parent Company or any other Group company does not comply with the obligations under any loan or other financial transaction other than this loan agreement;
  - a change of control clause, which gives the EIB the right to demand early repayment of the loan if any party or group of parties acting in concert obtains control or ENAV, or if the Italian Republic no longer retains control of the issuer.

The loans also require compliance with several financial covenants, verified on an annual or half-yearly basis and calculated using the Group's consolidated data: i) a ratio of gross financial debt to EBITDA of less than 3; ii) a ratio of EBITDA to financial expense of at least 6;

- the terms and conditions of the bond issued by the Parent Company in August 2015 in the amount of €180 million, paying interest at an annual gross fixed rate of 1.93% with bullet repayment of principal on 4 August 2022, include:
  - a negative pledge clause, namely a commitment by the Parent Company not to establish or provide guarantees or privileges on the debt to third-parties additional to those securing the bonds issued unless authorised by the bondholders' meeting;
  - a cross-default clause, which gives bondholders the right to demand early repayment of the bonds if ENAV or its subsidiaries do not comply promptly with the payment obligations of financial payables other than the bond in an amount of more than €15 million;
  - a change of control clause, which gives bondholders the right to demand early repayment of the bonds if a party other than the Italian Republic, its ministries (including the Ministry for the Economy and Finance) or entities or companies directly or indirectly controlled by it or its ministries, obtains control of the issuer.

  The terms and conditions of the bond also require compliance with financial covenants, such as: a) a ratio of net financial debt to EBITDA of no more than 3; b) a ratio of net financial debt to shareholders' equity of no more than 0.7.
- The two loan agreements between the Parent Company and Intesa Sanpaolo and Mediobanca, respectively of €100 million and €50 million, signed in October 2020, with a term of three years, provide for quarterly repayment starting from January 2021 with interest indexed to 3-month Euribor with further provision for price adjustment mechanisms linked to sustainability parameters (Environmental, Social and Governance). These loan agreements do not require compliance with financial covenants, but, in accordance with market practice, include negative pledge, cross-default and change of control clauses that would be triggered should the Ministry for the Economy and Finance cease to hold control of the Parent Company. .

In previous years, the Parent Company has always complied with the covenants set out in each loan. At 31 December 2020, based on the figures for performance and financial position reported in the consolidated financial statements, it is felt that the covenants in the existing loan agreements have been complied with.

INTEREST RATE RISK

Fluctuations in interest rates affect the market value of the Group's financial assets and liabilities and the level of net financial expense. The occurrence of such variations could have an adverse impact on the performance and financial position of the Group.

At 31 December 2020 gross financial debt was largely fixed-rate (73% of the total exposure), with the only exception being the last two loans obtained in the total amount of €150 million, which given the current and prospective negative interest rate structure are not expected to generate financial expense. Accordingly, there is no risk that increases in interest rates would have a negative impact on the level of net financial expense reported in the income statement or on the value of future cash flows. 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, limiting the volatility of its results. The Group pursues this goal by systematically negotiating with leading banks in order to optimise the average cost of debt, as well as through the strategic diversification of financial liabilities by type of contract, maturity and interest rate conditions (variable-rate/fixed-rate). In 2020, the average cost of bank debt was around 1.35% (1.7% in 2019).

At present, the Group does not hold financial instruments valued at fair value and as such exposed to adverse changes as a result of changes in the market level of interest rates.
To date, no derivative financial instruments have been used to manage interest rate risk.

EXCHANGE 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 could have an adverse impact on its financial performance and the value of balance sheet items denominated in foreign currency. Although the Group operates primarily in the Italian market, it does have an exposure to foreign exchange risk deriving mainly from cash flows from investments denominated in foreign currency, mainly the US dollar, as well as from the purchase of the equity interest of 11.1% (following the entry NATS as a new shareholder) in the share capital of US company Aireon and from contracts to provide services on the non-regulated market denominated in foreign currency. In order to manage the exposure to foreign exchange risk, the Group has developed a policy whose guidelines provide for the use of different types of instruments, specifically swaps and forwards, as well as currency options. Speculative transactions are not permitted by this policy. In particular, in April 2019, 5 forward foreign currency purchase transactions (dollars against euros) were completed to hedge the exchange risk of the Data Services Agreement signed with Aireon LLC. The total purchase of $4.5 million was made with a total sale of €3.8 million, with forward exchange rates (EUR/USD) negotiated for each expiry until January 2023. Of the 5 forward contracts signed, three remain with a residual overall notional value of $3.6 million. As regards contracts on the non-regulated market, the exposure in foreign currency is currently fragmented and does not expose ENAV to significant exchange risks.
The fair value of foreign exchange derivatives is measured on the basis standard market algorithms and on market quotes/contributions provided by leading public information providers. Note, however, that the risk resulting from the conversion of the assets and liabilities of ENAV subsidiaries that prepare their financial statements in functional currencies other than the euro is not usually hedged, unless a specific different assessment has been performed.

LITIGATION RISK

Litigation regarding taxation, administrative, civil or labour matters is handled by the competent functions of the ENAV Group. For the purpose of preparing these financial statements, they have provided a comprehensive picture of the various civil, administrative and labour proceedings. The Group has performed a detailed assessment of the risk of unfavourable rulings in that litigation, which determined the need to prudentially set aside specific provisions for 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 provisions have been recognised for proceedings for which an unfavourable outcome was considered merely possible.

Currently, we do not believe that the pending litigation could result in significant charges for the Group in excess of the amounts already provisioned for this purpose at 31 December 2020.

CIVIL AND ADMINISTRATIVE LITIGATION

The civil and administrative litigation includes: i) proceedings against suppliers and carriers that are insolvent, in bankruptcy or undergoing other insolvency proceedings, initiated in connection with the recovery of receivables that could not be settled out of court, a number of have been written down; ii) litigation involving defence against suits brought by suppliers or contractors that the Group considered to be groundless, or to recover of higher costs and/or losses that the Group incurred due to non-compliance of suppliers/contractors; iii) litigation involving claims on assets belonging to the Parent Company, claims for damages for the loss of assets transferred to the Company, or claims for payment or improvements to assets; iv) litigation relating to claims for losses caused by aeronautical accidents, for which the risk of an adverse outcome is normally borne by the insurers' of the Parent Company; and v) proceedings challenging the procedures and outcomes of public tenders.

CRIMINAL PROCEEDINGS

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 were stored at a third-party warehouse has been settled on appeal. In this proceeding the Company was a civil plaintiff against the director of the warehousing company for the criminal offence envisaged under Article 646 of the Criminal Code and, with a ruling handed down on 16 February 2015, the Court found the defendant guilty of, among other things, the offence pursuant to Article 646 and sentenced him for that and other offences he was accused of, to 6 years and 6 months of prison and a fine of €3,000. The Court also issued an immediately provisional executive order for €1 million to be paid to the Parent Company, referring the settlement of the losses incurred by Company to another forum. A ruling of nonsuit 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 subsequent appeal was ruled with the defendant being found guilty and the ruling in trial court in favour of the civil parties was upheld. 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 noted above, ENAV had initiated the claim. In these pending proceedings for multiple property offences and criminal association against the various defendants, including the director of the warehousing company, the Company was a civil plaintiff at the preliminary hearing and, upon conclusion, all the defendants were committed to stand trial. The proceeding is at the argument stage.

The preliminary hearing in the criminal proceedings initiated by the Sassari Public Prosecutor was closed with the court ruling that there were no grounds to continue as the circumstances of the case did not constitute an offence with regard to the charges against, among others, the General Manager of ENAV for the offences envisaged under Article 589 of the Criminal Code, Articles 90, 93 and 157 of Legislative Decree 81/08, in relation to an accident that happened during extraordinary maintenance that resulted in the death of the director of the contracting company. The charges against the former Chief Executive Officer had already been dismissed by the investigating magistrate. Another charge was brought under Article 25-*septies* of Legislative Decree 231/01 on the liability of companies was also brought (although ENAV was never formally notified), but this too was dismissed.
The proceeding initiated by the competent Public Prosecutor's Office against third parties, following the criminal complaint filed by the Parent Company for the offenses of illegal access to IT services, where the Company was a civil plaintiff, was concluded with the conviction of the defendants on all counts, in addition to the grant of a provisional award for damages to ENAV. The defendants subsequently appealed the ruling.
Following a court order of discovery notified on 24 November 2016, the Company produced documentation concerning certain contracts involving the subsidiary 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 aware of any person under investigation or any official charge having been filed.
In response to an order of discovery, on 13 June 2018 ENAV produced documentation relating to the selection of a person related to the former Sole Director of the Company for the position of air traffic controller. On the basis of available information, the matter is being investigated by Public Prosecutor's Office of Rome.
To the best of our knowledge, proceedings are pending before the Florence Public Prosecutor's Office relating to an alleged violation of environmental regulations concerning to the supply, by a third party, of material used, among other things, for the execution of certain civil works connected with the project for the modernisation of the Pisa airport. As part of this contract, which was awarded by the Italian Air Force to the temporary business grouping of Thales/Techno Sky, the civil works were subcontracted by Techno Sky to another company, which in turn procured the material from another company, the origin of the pending proceeding. At present, to the best of our knowledge, Techno Sky and its personnel are not under investigation and work is under way to remove the material deemed non-compliant with the sector regulatory requirements used to execute the subcontract and all further precautionary measures are being taken.

41. Fees of the audit firm to Article 149-duodecies of the Consob Issuers Regulation

The fees for 2020 paid to the audit firm of the Parent Company and the subsidiaries, EY S.p.A. are summarised in the following table in accordance with the provisions of Article 149-*duodecies* of the Consob Issuers Regulation (thousands of euros):

Type of service	Entity providing the service	2020
ENAV		
Auditing	EY S.p.A.	**330**
Certification services	EY S.p.A.	**71**
Other services	EY S.p.A.	**7**
ENAV subsidiaries		
Auditing	EY S.p.A.	**194**
	EY S.p.A. network	**9**
Certification services	EY S.p.A.	**10**
Other services	EY S.p.A.	**0**
Total		**621**

The certification services provided by EY S.p.A. to the Parent Company mainly involved the certification of financed projects.

42. Events after the reporting date

On 25 February 2021, the shareholders' meeting of the Sicta Consortium in liquidation approved the definitive closure of the consortium, as the liquidation process had been completed and the allotment plan approved.
On 1 March 2021, Enav España Control Aereo S.L.U. which was acquired in January 2020 for participation in the tender organised by the Spanish airport operator to award terminal air traffic management services for 12 small and medium-sized Spanish airports, and was not operational, was placed in liquidation and definitively liquidated as it did not win the tender.

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 2020 pursuant to art. 154-bis, paragraph 5, of Legislative Decree 58 of 24 February 1998 and art. 81-ter of CONSOB Regulation 11971 of 14 May 1999.

1. The undersigned Paolo Simioni, as Chief Executive Officer, and Luca Colman as Manager responsible for Enav SpA's financial reporting, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, hereby attest to:
   - the adequacy with regard to the nature of the Company 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 2020 to 31 December 2020.
2. In this regard, it should be noted that:
   - the administrative and accounting procedures adopted in preparation of the ENAV Group's consolidated financial statements have been defined and the evaluation of their the adequacy has been assessed based on principles and methodologies adopted by ENAV in accordance with the *Internal Control-Integrated Framework Model* 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 2020:

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

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

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

3.2 the Directors' 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, 20 April 2021

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

(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, 2020

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Lombardia, 31
00187 Roma

Tel: +39 06 324751
Fax: +39 06 324755504
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 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 statement of financial position as at December 31, 2020, and the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity and the 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, 2020 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 article 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 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:

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

Key Audit Matter	Audit Response
Recognition and valuation of revenues – *Balance* Revenues from contracts with customers as at December 31, 2020 amounts to Euro 735,6 million including *Balance* adjustment for an amount of Euro 383,4 million. Revenues from en-route and terminal services include a positive or negative revenue adjustment recorded at the year-end in order to reflect the effective performance for the year. Such revenue adjustment, achieved through the *Balance* mechanism, is regulated through specific tariff mechanisms effected over the years following the concerned fiscal year. Considering the Covid-19 pandemic impacts on air traffic sector, *Balance* measurement criteria for the current period are being under revision from the European Commission following a process for which the conclusion is expected in May 2021. The processes and methodologies for measuring such revenue adjustments are based on complex calculation algorithms and assumptions that for their nature require Directors' judgement, in particular with reference to the *Balance* measurement criteria, the expectations about settlement date and the determination of the discount rate applied for. With reference to the identification of the *Balance* measurement criteria, Directors applied the provisional rules contained in the European Commission proposal. Judgement applied is characterized by significant uncertainties considering that any definitive rules from the regulator may lead to different amounts. Because of the mentioned complexity that characterize this measurement, we identified this area as a key audit matter. The disclosures related to the revenues accounting policy and measurement criteria resulting from the *Balance* mechanism are included in notes "4. Accounting standards" and "5. Use of estimates and management judgements, including those connected with the COVID-19 pandemic".	Our audit procedures in response to the key audit matter concerned, among the others: • the assessment and understanding of the applicable regulations; • the assessment of the process for the determination of the *Balance*; • the understanding and evaluation of the estimation methodologies used by the Directors through the analysis of requirements issued by European Commission and inquiries with the management; • the assessment of the reasonableness of the criteria used by the Directors for the determination of the *Balance* and for the discount process applied; • the verification of the arithmetic correctness of the calculations performed by the Directors. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Valuation of the goodwill

Goodwill as at December 31, 2020 amounts to Euro 93,5 million, of which Euro 66,5 million allocated to the Cash Generating Unit ("CGU") "Maintenance Services" and 27 million allocated to the CGU "Soluzioni software AIM".

The processes and methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on assumptions sometimes complex, that due to their nature require Directors' judgement, particularly with reference to the forecasted future cash flows of each CGU, for the period covered by the business plans 2021-2024, the determination of the normalized cash flows used for the terminal value estimate and the determination of long-term growth and discount rates applied to the forecasted future cash flows.

Because of the judgment required and the complexity of assumptions used to estimate the recoverable amount of the goodwill, we identified this area as a key audit matter.

The disclosures related to the assumptions and estimates used by the management is included in note "5. Use of estimates and management judgements, including those connected with the COVID-19 pandemic ", while the disclosures related to the methodologies of execution of the impairment tests is included in note "8. Intangible assets".

Our audit procedures in response to the key audit matter concerned, among others:

- assessment of the impairment process of goodwill;
- testing the CGUs identification process and the allocation of assets and liabilities to the CGUs;
- assessment of the forecasted future cash flows for each CGU as well as the verification of the consistency of future cash flows related to each CGU with the business plans 2021-2024;
- assessment of Directors' ability to make accurate projections through the comparison of the actual results with the previous forecast;
- assessment of the long-term growth rates and discount rates.

In performing our procedures, we leveraged the assistance of our experts in valuation techniques, who performed an independent recalculation of the recoverable amount of the goodwill and sensitivity analysis of the key assumptions that could have a significant effect on the estimate of the recoverable value.

Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Fair value measurement of Aireon LLC

The Investments in other entities item includes the investment in Aireon LLC for an amount of Euro 50 million which is measured at fair value. Directors measured the investment as a financial instrument categorized at level 3 of fair value hierarchy in absence of a quoted price in an active market.

The processes and methodologies used for the fair value measurement of the investment are based on assumptions, sometimes complex, that for their nature require Directors' judgement, with particular reference to the appropriate use of the expected future cash flows prepared by management of the investee and the determination of the appropriate discount rate

Our audit procedures in response to the key audit matter concerned, among others, the analysis of the future cash flows prepared by the investee, the assessment of the long-term growth rates and discount rate.

In performing our procedures, we leveraged the assistance of our experts in valuation techniques, in order to verify the methodology used in the process, the mathematical accuracy of the model and the reasonableness of the assumption used by the management for the fair value measurement of the investment.

Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

applied to the forecasted future cash flows.

Because of the judgement required to estimate the amount of the investment, we identified this area as a key audit matter.

The disclosures related to the valuation of the investment in Aireon LLC are included in note "5. Use of estimates and management judgements, including those connected with the COVID-19 pandemic", while the disclosures related to the fair value measurement are included in note "9. Investments in other entities".

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 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.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the parent company Enav S.p.A. or to cease operations, or have 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, 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 Company's 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 consider this matter in forming 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 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 or business activities 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 Shareholders of Enav S.p.A., in the general meeting held on April 29, 2016 engaged us to perform the audits of the financial statements and consolidated financial statements for each of the 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 pursuant to 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 January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of Enav S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Enav as at December 31, 2020, 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 February 24, 1998, with the consolidated financial statements of Enav Group as at December 31, 2020 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 Operations 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, 2020 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 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 December 30, 2016

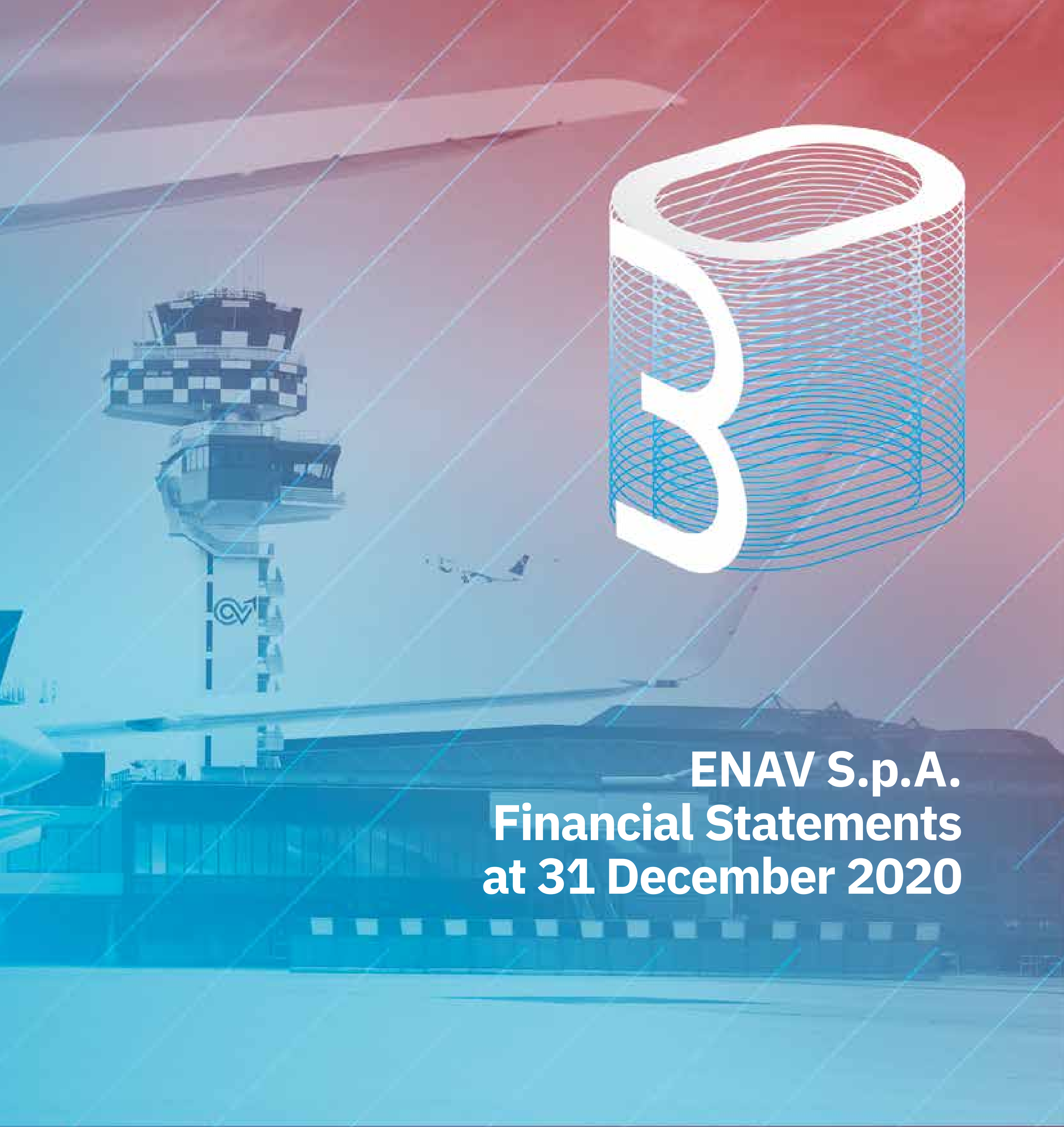
The Directors of Enav S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information are subject to a separate compliance report signed by us.

Rome, April 28, 2021

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

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



ENAV S.p.A.
Financial Statements at 31 December 2020

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ENAV S.p.A. financial statements

Statement of financial position

ASSETS

	Notes	31.12.2020	of which related parties (Note 30)	31.12.2019	of which related parties (Note 30)
Non-current assets					
Property, plant and equipment	5	**942,960,978**	0	998,708,422	0
Intangible assets	6	**60,748,641**	0	58,736,940	0
Investments	7	**188,247,822**	0	188,247,822	0
Non-current financial assets	8	**0**	0	3,430,887	3,345,530
Deferred tax assets	9	**15,717,632**	0	9,667,098	0
Non-current tax receivables	10	**23,216,141**	0	23,164,181	0
Non-current trade receivables	11	**385,970,716**	0	9,612,495	0
Other non-current assets	14	**7,751,760**	7,751,760	16,343,893	16,343,893
Total non-current assets		**1,624,613,690**		**1,307,911,738**	
Current assets					
Inventories	12	**61,551,414**	0	60,681,150	0
Current trade receivables	11	**121,727,853**	40,310,928	199,675,752	42,190,474
Receivables from Group companies	13	**31,236,382**	31,236,382	37,451,515	37,451,515
Current financial assets	8	**11,303,519**	11,303,519	30,019,137	5,042,466
Tax receivables	10	**10,740,494**	0	4,014,457	0
Other current assets	14	**51,169,602**	35,239,207	46,199,715	32,977,328
Cash and cash equivalents	15	**292,870,134**	224,570	429,913,955	534,846
Total current assets		**580,599,398**		**807,955,681**	
Assets classified as held for sale	7	**728,500**		704,900	
Total assets		**2,205,941,588**		**2,116,572,319**	

(euros)

Statement of financial position

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	31.12.2020	of which related parties (Note 30)	31.12.2019	of which related parties (Note 30)
Shareholders' equity					
Share capital	16	**541,744,385**	0	541,744,385	0
Reserves	16	**462,544,973**	0	456,490,039	0
Retained earnings/(loss carryforward)	16	**26,276,483**	0	33,056,816	0
Profit (loss) for the year	16	**43,342,290**	0	111,881,123	0
Total shareholders' equity		**1,073,908,131**		**1,143,172,363**	
Non-current liabilities					
Provisions for risks and charges	17	**903,000**	0	991,200	0
Severance pay and other employee benefits	18	**35,921,042**	0	36,584,469	0
Deferred tax liabilities	9	**2,846,491**	0	2,921,940	0
Non-current financial liabilities	19	**481,310,978**	0	325,541,214	0
Non-current trade payables	20	**8,296,149**	0	49,241,634	0
Other non-current liabilities	21	**171,395,197**	0	176,549,910	0
Total non-current liabilities		**700,672,857**		**591,830,367**	
Current liabilities					
Short-term portion of provisions for risks and charges	17	**2,291,532**	0	786,823	0
Current trade payables	20	**137,025,563**	15,584,601	129,340,036	17,420,936
Payables to group companies	13	**71,895,620**	71,895,620	68,631,227	68,631,227
Tax and social security payables	22	**18,481,678**	0	29,467,455	0
Current financial liabilities	19	**66,254,489**	0	15,839,910	0
Other current liabilities	21	**135,411,718**	91,866,106	137,504,138	77,515,432
Total current liabilities		**431,360,600**		**381,569,589**	
Total liabilities		**1,132,033,457**		**973,399,956**	
Total shareholders' equity and liabilities		**2,205,941,588**		**2,116,572,319**	

(euros)

Income statement

	Notes	2020	of which related parties (Note 30)	2019	of which related parties (Note 30)
Revenues					
Revenues from operations	23	**329,377,507**	10,322,170	937,889,394	12,203,100
Balance	23	**383,378,133**	0	(86,974,733)	0
Total revenues for contract with customers	**23**	**712,755,640**		**850,914,661**	
Other operating income	24	**48,918,342**	39,508,910	48,861,418	38,252,542
Total revenues		**761,673,982**		**899,776,079**	
Costs					
Costs for raw materials, supplies, consumables and goods	25	**(4,121,412)**	(408,015)	(4,886,996)	(533,904)
Costs for services	25	**(169,236,087)**	(80,252,761)	(180,562,425)	(79,671,878)
Personnel costs	26	**(401,379,952)**	0	(430,739,566)	0
Costs for leases and rentals	25	**(1,056,455)**	(23,546)	(1,077,993)	(22,781)
Other operating expenses	25	**(3,944,697)**	0	(2,281,155)	0
Capitalisation of costs	27	**9,721,284**	0	7,782,775	0
Total costs		**(570,017,319)**		**(611,765,360)**	
Amortisation and depreciation	5 and 6	**(136,568,534)**	0	(139,631,846)	0
Writedowns/(writebacks) for impairment of receivables	11	**(5,621,994)**	0	(1,602,441)	0
Writedowns/(writebacks) for impairment of property, plant and equipment and intangible assets	5	**(4,179,047)**	0	(118,875)	0
Provisions	17	**(666,131)**	0	204,262	0
Operating income		**44,620,957**		**146,861,819**	
Financial income and expense					
Financial income	28	**15,028,209**	13,397,327	12,872,593	10,890,222
Financial expense	28	**(7,146,376)**	0	(6,601,511)	0
Exchange rate gains (losses)	28	**(450,444)**	0	105,050	0
Total financial income and expense		**7,431,389**		**6,376,132**	
Income before taxes		**52,052,346**		**153,237,951**	
Income taxes	29	**(8,710,056)**	0	(41,356,828)	0
Profit (loss) for the year		**43,342,290**		**111,881,123**	

(euros)

Statement of other comprehensive income

	Notes	2020	2019
Profit (loss) for the year	16	**43,342,290**	111,881,123
Other comprehensive income recyclable to profit or loss:			
- Fair value of derivative financial instruments	8 and 16	**(154,172)**	95,745
- Tax effect of the valuation at fair value of derivative financial instruments	9 and 16	**37,001**	(22,979)
Total other comprehensive income recyclable to profit or loss		**(117,171)**	**72,766**
Other comprehensive income not recyclable to profit or loss:			
- Actuarial gains/(losses) on employee benefits	16 and 18	**(502,759)**	(2,343,440)
- Tax effect of actuarial gains/(losses) on employee benefits	9 and 16	**120,662**	562,426
Total other comprehensive income not recyclable to profit or loss		**(382,097)**	(1,781,014)
Comprehensive Income		**42,843,022**	**110,172,875**

(euros)

Statement of changes in shareholders' equity

	Share capital	RESERVES Legal reserve	FTA reserve	Sundry reserves
Balance at 31 December 2018	**541,744,385**	**26,663,066**	**(3,044,940)**	**432,586,848**
Adoption of new standards	0	0	0	0
Balance at 1st January 2019	**541,744,385**	**26,663,066**	**(3,044,940)**	**432,586,848**
Allocation of net profit from the previous year	0	5,146,738	0	0
Dividend distribution	0	0	0	0
Purchase of own shares	0	0	0	0
Long term incentive plan	0	0	0	1,145,592
Comprehensive income, of which:				
- Profit (loss) recognised directly in equity	0	0	0	0
- Profit (loss) for the year	0	0	0	0
Balance at 31 December 2019	**541,744,385**	**31,809,804**	**(3,044,940)**	**433,732,440**
Allocation of net profit from the previous year	0	5,594,056	0	0
Dividend distribution	0	0	0	0
(Purchase)/award of treasury shares	0	0	0	1,773,331
Long term incentive plan	0	0	0	(813,186)
Comprehensive income, of which:				
- Profit (loss) recognised directly in equity	0	0	0	0
- Profit (loss) for the year	0	0	0	0
Balance at 31 December 2020	**541,744,385**	**37,403,860**	**(3,044,940)**	**434,692,585**

Reserve for actuarial gains/(losses) for employee benefits	Cash flow hedges	Total reserves	Retained earnings/(loss carryforward)	Profit (loss) for the year	Total shareholders' equity
(6,256,192)	**1,957,176**	**451,905,958**	**43,312,206**	**102,934,761**	**1,139,897,310**
0	0	0	(42,646)	0	(42,646)
(6,256,192)	**1,957,176**	**451,905,958**	**43,269,560**	**102,934,761**	**1,139,854,664**
0	0	5,146,738	97,788,023	(102,934,761)	0
0	0	0	(108,000,768)	0	(108,000,768)
0	0	0	0	0	0
0	0	1,145,592	0	0	1,145,592
(1,781,014)	72,766	(1,708,248)	0	0	(1,708,248)
0	0	0	0	111,881,123	111,881,123
(8,037,206)	**2,029,942**	**456,490,040**	**33,056,815**	**111,881,123**	**1,143,172,363**
0	0	5,594,056	106,287,067	(111,881,123)	0
0	0	0	(113,189,994)	0	(113,189,994)
0	0	1,773,331	0	0	1,773,331
0	0	(813,186)	122,595	0	(690,591)
(382,097)	(117,171)	(499,268)	0	0	(499,268)
0	0	0	0	43,342,290	43,342,290
(8,419,303)	**1,912,771**	**462,544,973**	**26,276,483**	**43,342,290**	**1,073,908,131**

(euros)

Statement of cash flows

		Notes	2020	of which related parties	2019	of which related parties
A	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**	15	429,914		308,206	
	Net cash flow generated/(absorbed) from operating activities					
	Profit (loss) for the year	16	**43,342**	0	111,881	0
	Amortisation and depreciation	5 and 6	**136,568**	0	139,632	0
	Net change in liabilities for employee benefits	18	**(1,166)**	0	(1,234)	0
	Loss on sale of property, plant and equipment and impairment of property, plant and equipment and intangible assets	5	**4,260**	0	162	0
	Provisions for risks and charges	17	**1,544**	0	204	0
	Provision for stock grant plans	26	**1,083**	0	1,146	0
	Net change of deferred tax assets and deferred tax liabilities	9	**(5,969)**	0	196	0
	Decrease/(Increase) in inventories	12	**(248)**	0	681	0
	Decrease/(Increase) in current and non-current trade receivables	11	**(299,161)**	1,880	72,751	1,109
	Decrease/(increase) in tax receivables and tax and social security payables	10 and 22	**(17,763)**	0	17,844	0
	Change in other current assets and liabilities	14 and 21	**(5,773)**	12,089	21,844	14,588
	Change in receivables and payables to group companies	13	**9,481**	9,481	(2,615)	(2,615)
	Change in other non-current assets and liabilities	21	**3,437**	8,730	9,831	5,766
	Increase/(Decrease) in current and non-current trade payables	20	**(47,981)**	103	(30,295)	512
B	**TOTAL CASH FLOW FROM OPERATING ACTIVITIES**		(178,346)		342,028	
	Of which taxes paid		**(29,759)**	0	(28,701)	0
	Of which interest paid		**(4,378)**	0	(3,611)	0
	Net cash flow generated/(absorbed) from investing activities					
	Investments in property, plant and equipment	5	**(75,691)**	0	(104,060)	0
	Investments in intangible assets	6	**(12,024)**	0	(13,723)	0
	Increase/(decrease) in trade payables for investments	20	**14,593**	(1,939)	52,937	1,773
	Sale of property, plant and equipment	5	**0**	0	0	0
	Decrease/(increase) in trade receivables for investments	11	**750**	0	750	0

		Notes	2020	of which related parties	2019	of which related parties
	Equity investments	7	**(24)**	0	(41,126)	0
	Increase/(decrease) in trade payables for investments in equity interests	7	**(1,289)**	0	3,155	0
	Other investing activities	8	**24,897**	0	9,000	0
C	**TOTAL CASH FLOW FROM INVESTING ACTIVITIES**		**(48,788)**		**(93,067)**	
	Net cash flow generated/(absorbed) from financing activities					
	New medium and long term loans	19	**220,000**	0	0	0
	(Repayments) of medium and long term loans	19	**(13,540)**	0	(13,417)	0
	Net change in long-term financial liabilities	19	**174**	0	(7)	0
	Bond issue	19	**0**	0	0	0
	Net change in short-term financial liabilities	19	**(508)**	0	(586)	0
	(Increase)/Decrease in current and non-current financial assets	8	**(2,846)**	0	(5,242)	(141)
	Change in share capital	16	**0**	0	0	0
	Dividend distribution	16	**(113,190)**	(60,308)	(108,001)	(57,543)
D	**TOTAL CASH FLOW FROM FINANCING ACTIVITIES**		**90,090**		**(127,253)**	
E	**Total cash flow (B+C+D)**		**(137,044)**		**121,708**	
F	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+E)**	**15**	**292,870**		**429,914**	

(thousands of euros)

Notes to the financial statements 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 transformation with Law 665/1996 of the Ente Pubblico Economico "Ente Nazionale di Assistenza al Volo" (the National Agency for Flight Assistance), a public enterprise, that was formerly known as the "'Azienda Autonoma di Assistenza al Volo per il Traffico Aereo Generale" (A.A.A.V.T.A.G.) (Autonomous Company providing Flight Assistance for General Traffic).
Since 26 July 2016, ENAV shares have been listed on the Mercato Telematico Azionario (MTA) organised and operated by Borsa Italiana S.p.A. and, at 31 December 2020, 53.28% the Company was owned by the Ministry for the Economy and Finance (MEF) and 46.58% by institutional and individual shareholders, with 0.14% being held by ENAV as treasury shares.
ENAV provides air traffic control and management services and other essential air navigation services in Italian airspace and at the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and upgrading the technology and infrastructure of flight assistance systems. This infrastructure requires constant maintenance and continuous development to ensure safety, punctuality and operational continuity. This is clearly stated in the European Union's Single European Sky regulations, which on the one hand define the structure of the air traffic management system and on the other set the technological, qualitative, financial 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 consolidated financial statements, which are published together with these separate financial statements.
The financial statements were approved by the Board of Directors of the Company at its meeting of 20 April 2021, which also approved their dissemination. These financial statements have been audited by EY S.p.A. pursuant to Articles 14 and 16 of Legislative Decree 39/2010 by virtue of their appointment to conduct statutory audit activities for the 2016-2024 period by the Shareholders' Meeting on 29 April 2016.

2. Form and content of the financial statements

The separate financial statements of ENAV at 31 December 2020 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 in accordance with the provisions of Regulation (EC) No. 1606/2002 as well as Legislative Decree 38 of 28 February 2005, which governed the application of the IFRS under the scope of Italian law.
"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 EU Regulations published up to 20 April 2021, the date on which the ENAV S.p.A. Board of Directors approved the financial statements.
The accounting standards described below reflect the full operation of the ENAV Group in the foreseeable future,

as it is assumed to continue operating as a going concern, and are in conformity with those applied in the preparation of the financial statements for the previous year.
The financial statements were prepared and presented in euros, which is the functional currency of the ENAV Group. All the amounts in the tables in the notes and comments below are stated in thousands of euros, unless indicated otherwise.
The financial statements used and associated classification criteria adopted by the Company are indicated below under the scope of the options provided for 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 reporting the value of positions or transactions with related parties in the financial statements and, where applicable, the representation in the income statement of revenue and expense from significant non-recurring transactions or circumstances that do not occur frequently in regular operations. In 2020 there were no atypical or significant transactions requiring separate reporting. The following financial statements were used:

- *statement of financial position*, prepared by classifying assets and liabilities as current or non-current, with separate reporting, if present, of assets classified as held for sale and the liabilities included in a disposal group classified as held for sale or for distribution to shareholders. Current assets, which include cash and cash equivalents, are those that are intended to be realised, sold or consumed in the normal operating cycle of the Company or in the 12 months after the close of the year. Current liabilities are those which are expected to be extinguished in the normal operating cycle of the Company or in the 12 months after the close of the year.
- *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 other changes in shareholders' equity items, separated into items which will later be reclassified (recycled) to the income statement and those which will not;
- *statement of changes in shareholders' equity;*
- *statement of cash flows*, prepared by reporting cash flows from operations using the indirect method and by presenting net cash flows generated from operating, investing and financing activities.

The Company has also applied the new definition of material introduced with amendments to IAS 1 and IAS 8, which states that information is material if omitting, misstating or obscuring could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of the information, or both. The Company assesses whether information, individually or in combination with other information, is material in the context of the financial statements considered as a whole.
The financial statements were prepared on a historic cost basis with the exception of financial statement items that must be measured at fair value.
Each item of the financial statements is compared with the corresponding figure for the previous year.

3. Accounting standards

The accounting standards and measurement criteria applied in the preparation of the financial statements are described below.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at cost, net of depreciation and any impairment losses. The cost includes directly attributable ancillary costs incurred to prepare the asset for the use for which it was acquired. Cost incurred for major repairs or maintenance are recognised in the carrying amount of the equipment or machinery, where the recognition criterion is satisfied. All other repair and maintenance costs are recognised through profit or loss when incurred. In any event, the costs incurred after acquisition are recognised as an increase in the carrying amount of the item referred to if it is likely that the future benefits associated with the cost will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis, from the time the asset is available and ready for use, over the estimated useful life of the asset, which is reviewed annually. Any changes in the useful life will be made and applied prospectively. Depreciation takes account of any residual value of the assets. When the asset subject to depreciation is composed of separately identifiable parts whose useful life differs significantly from that of the other parts of the asset, each of these parts shall be depreciated separately, applying the component approach method. The estimated useful lives of the main classes of property, plant and equipment are as follows:

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

The carrying amount of property, plant and equipment is checked to detect any impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recovered. If there is such evidence and if the carrying amount exceeds the recoverable value, the assets are written down and recognised at their recoverable value. The recoverable value of property, plant and equipment is represented by the higher of the asset's fair value less costs to sell and its value in use.
For an asset that does not generate largely independent cash flows, the realisable value is calculated in relation to the cash generating unit to which this asset belongs. Impairment losses are recognised in the income statement under the item writedowns and impairment losses. These impairments are reinstated if the reasons that generated them disappear, within the limits of the net carrying amount that the asset in question would have had if the writedown 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 carrying amount) is recognised through profit or loss in the year of the above-mentioned derecognition. Measurement shall take account of the provisions of IFRS 15.
Following the introduction of IFRS 16 with effect from 1 January 2019, the rights of use connected with long-term leases are recognised under property, plant and equipment if the lessee has exclusive control of the leased asset and the right to obtain substantially all of the economic benefits deriving from use of the asset.
The right-of-use asset is recognised entered at a value equal to the sum of the present value of the contractual outgoing cash flows, using the rate provided for in the lease or the lessee's incremental borrowing rate as the discount rate factor.
The right-of-use asset is depreciated over the non-cancellable period of the lease, which normally coincides with its term.
For long-term car rentals, the contract is divided into a lease component, i.e. the pure rental payment, and a non-lease component for maintenance services. The lease component is included in the right-of-use asset, while the non-lease component is charged profit or loss.

INTANGIBLE ASSETS

Intangible assets consist of identifiable non-monetary assets without physical substance that can be controlled and will generate future economic benefits. These assets are recognised at purchase cost or production cost, including any directly attributable ancillary costs necessary to prepare the assets for use, net of accumulated amortisation (with the exception of intangible assets with an indefinite useful life) and any impairment. The costs of intangible assets generated internally are not capitalised and are recognised through profit or loss in the year in which they are incurred.
Amortisation starts at the time the asset is available for use and is allocated systematically over its residual useful life. The useful life of intangible assets may be finite or indefinite.
Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful life and undergo impairment testing if there is evidence of possible impairment. The residual useful life is reviewed at the end of each year or more frequently if necessary. Changes in the expected useful life or in the manner in which future economic benefits from the intangible assets flow to the Company are reflected by changing the period and/or method of amortisation and treated as changes in accounting estimates.

The gain or loss arising from the disposal of an intangible asset shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and they are recognised through profit or loss at the time of the disposal. Measurement shall take account of the provisions of IFRS 15.
Intangible assets with an indefinite useful life do not undergo systematic amortisation but rather undergo impairment testing at least once a year in order to identify any impairment losses. Any change in the classification of an intangible asset from indefinite useful life to definite useful life is applied prospectively.
The Company does not recognise assets with an indefinite useful life.
Intangible assets include rights to use intellectual property represented by licenses and software and other intangible assets with an estimated useful life of three years.

INVENTORIES

Inventories, represented essentially by spare parts for air traffic control systems and equipment, are recognised at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula, which includes related ancillary costs. If inventories can no longer be used because they have become obsolete, they are written down through the provision for inventory losses, directly adjusting the value of the asset.

INVESTMENTS

Investments in subsidiaries are recognised at purchase cost, including directly attributable ancillary costs, adjusted for any impairment losses, which are recognised through profit or loss. If the causes of impairment no longer exist, the value is restored up to the amount of the impairment loss recognised. Such writebacks are recognised through profit or loss.
Subsidiaries are all companies in which ENAV has the power to directly or indirectly determine their the financial and operating policies (relevant activities) in order to obtain the benefits resulting from their activities (variable returns), having the ability to exercise its power over them to affect the amount of the returns.
Investments in other entities are measured at cost adjusted for impairment because the fair value cannot be reliably calculated.

FINANCIAL ASSETS

At the time of initial recognition, financial assets are classified using the following measurement methods: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of assets and on the business model that the Company uses for their management. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures financial assets at their fair value plus transaction costs in the case of financial assets not recognised at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the price of the transaction determined in accordance with IFRS 15.
In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). This assessment is referred to as the SPPI test and is performed at the level of the instrument.

The Company's business model for the management of financial assets refers to the way in which financial assets are managed in order to generate cash flows. The business model is determined by whether the cash flows are derived from the collection of contractual cash flows, the sale of financial assets or both.
For the purposes of the subsequent measurement, financial assets can be classified into three categories in accordance with IFRS 9: i) financial assets at amortised cost (debt instruments); ii) financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses (debt instruments); and iii) financial assets at fair value through profit or loss. The Company mainly holds financial assets measured at amortised cost, which applies if the following requirements are met.

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and undergo impairment testing. Gains and losses are recognised through profit or loss when the asset is eliminated, modified or revalued. Within the financial statements, this category includes the following: current and non-current financial assets, current and non-current trade receivables and other current and non-current assets.
Trade receivables and other current assets that are not held on normal market terms and conditions and do not generate interest are discounted on an analytical basis using assumptions and estimates. Trade receivables that mature in accordance with normal business practice are not discounted. Trade receivables and other receivables are carried under current assets unless they will mature at more than twelve months from the reporting date, in which case they are classified under non-current assets.
The carrying amount of financial assets at amortised cost, which are not measured at fair value through profit or loss, is reduced using the new expected loss model introduced with IFRS 9, applicable as from 1 January 2018. This model requires an assessment of expected losses based on the estimated probability of default, the loss given default and credit risk. These assessment factors are determined using historical data, forward-looking information and information available from info providers.
For certain categories of financial assets at amortised cost, such as trade receivables and contract assets, the Company adopts the simplified approach to the new impairment model. This simplified approach is based on management of creditor positions by portfolio and on the division of receivables into specific clusters that take account of the specific nature of the business, the client's operating status, past due information and the specific regulatory framework.
If the amount of an expected loss recognised in the past should decrease and the decrease can be linked to an event that occurred after the recognition of the expected loss, it is reversed to profit or loss.
Financial assets are derecognised when the right to receive the cash flows of the instrument has expired or substantially all the risks and rewards of ownership of the instrument have been transferred.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, unencumbered bank deposits and other forms of short-term investments not exceeding three months that can readily be converted into cash. At the reporting date, current account overdrafts are classified as financial debt under current liabilities in the statement of financial position.

DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument or other contract with the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The derivative financial instruments of ENAV are represented by forward contracts in currencies held to hedge exchange risk. At the inception of the hedge, the Company formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued, in line with IFRS 9.

The documentation prepared in compliance with IFRS 9 includes the identification of the hedging instrument, the hedged item, the nature of the risk and how the Company assesses whether the hedge relationship meets the hedge effectiveness requirements. The hedge relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

At the date the contract is signed, derivative financial instruments are measured at fair value both at initial recognition and at each subsequent measurement. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivative instruments are classified as current or non-current depending on their expiry date and the Company's intention continue to hold or not to hold these instruments until expiry.

Having met the requirements described above, hedge accounting is applied to transactions undertaken to hedge the Company against exposure to the risk of variations in the cash flows associated with an asset, liability or highly probable forecast transaction. Accordingly the portion of the gain or loss on the hedging instrument attributable to the effective portion of the hedge is recognised in other comprehensive income in a specific shareholders' equity reserve denominated the cash flow hedge reserve, while the ineffective portion is recognised directly in the income statement under other revenues and income or other operating costs.

The amounts recognised in other comprehensive income are later reclassified to profit or loss when the hedged transaction impacts profit or loss, such as, for example, as a result of a disposal or a writedown.

If the hedging instrument is sold, expires, is cancelled or exercised without replacement, or it no longer qualifies as an effective hedge of the risk for which the transaction was initiated, the portion of the cash flow hedge reserve relating to it is maintained until the effects of the underlying contract are manifested.

When a forecast transaction is no longer deemed probable, the gains profits or losses recognised in equity are reclassified immediately to profit or loss.

With reference to the calculation of fair value, ENAV operates in compliance with the requirements of IFRS 13 where such criterion is required by international accounting standards for recognition and/or measurement or in order to provide additional information with regard to specific assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value of instruments listed on public markets is given by their bid prices at year-end.

The fair value of unlisted instruments is measured using financial valuation techniques.

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

- Level 1: fair value calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2: fair value calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: fair value calculated using valuation techniques employing unobservable inputs for the asset or liability.

For assets and liabilities measured at fair value on a recurring basis, the Company determines whether there has been a transfer between the levels indicated above, identifying the level at the end of each accounting period as the lowest level input that is significant to the entire measurement.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if the carrying amount will mainly be recovered through sale or liquidation rather than through continuing use.

This condition is considered to have been met when the sale or liquidation is highly probable and the non-current asset is held for immediate sale in its current condition to be completed within 12 months of the date it was classified as a non-current asset held for sale.

Non-current assets held for sale or liquidation are recognised in the statement of financial position separately from other assets.

Immediately before the classification as held for sale or liquidation, the assets are measured in accordance with the accounting standards applicable to them. Subsequently, the assets are measured at the lower of carrying amount and fair value.

FINANCIAL LIABILITIES

Financial liabilities are classified at the time of initial recognition under financial liabilities at fair value through profit or loss, loans and receivables, or derivatives designated as hedging instruments. All financial liabilities are initially recognised at fair value, plus, in the case of loans and payables, any transaction costs directly attributable to them. The Company's financial liabilities include trade payables and other liabilities and loans.

The subsequent measurement approach adopted for financial liabilities depends on their classification. More specifically, financial liabilities at fair value through profit or loss include liabilities held for trading and comprise those assumed with the intent of extinguishing them or transferring them in the short term.

Financial liabilities classified as loans and receivables, which are the most common financial liabilities held by the Company, are measured at amortised cost using the effective interest rate method. Gains and losses are recognised through profit or loss when the liability is extinguished as well as through the process of amortisation. Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is reported under financial expense in the income statement.

Trade payables and other financial liabilities are classified as current financial liabilities except when the contract will expire more than twelve months after the reporting date, in which case they are classified as non-current liabilities. Financial liabilities are derecognised when they are extinguished, or when the obligation specified in the contract is discharged.

Following the entry into force of IFRS 16 as from 1 January 2019, current and non-current financial liabilities also include financial liabilities representative of the present value of lease payments to be paid to the lessor under long-term leases, with the right of use being recognised under property, plant and equipment.

EMPLOYEE BENEFITS

Employee benefits are all forms of consideration paid by the Company for service rendered by employees.

Short-term employee benefits are represented by wages, salaries, social security contributions, indemnities in lieu of holidays and incentives paid in the form of a bonus payable within twelve months of the reporting date. These benefits are accounted for as components of personnel costs in the period in which the service was provided.

Post-employment benefits are divided into two types: defined-benefit plans and defined-contribution plans. Defined-benefit plans are plans under which the employer is committed to paying the necessary contributions sufficient to guarantee the payment of fixed future pension benefits to employees, with the employer assuming the actuarial risk.

Since the amount of the benefit in defined-benefit plans to be paid can only be quantified after the termination of the employment relationship, the related financial effects are recognised on the basis of actuarial calculations performed in conformity with IAS 19. Defined-contribution plans are those plans whereby the employer pays fixed contributions into a fund. The obligation of the employer is extinguished with the payment of contributions to the fund and the actuarial risk is borne by the employee. In defined-contribution plans, the contribution costs are recognised in profit and loss when they are incurred at their nominal value.

Employee severance pay (Italy's *trattamento di fine rapporto* system, or TFR) due to employees pursuant to Article 2120 of the Italian Civil Code accrued up to 31 December 2006 is treated as a defined-benefit plan, while severance pay accrued with effect from 1 January 2007, in compliance with Law 296 of 27 December 2006, has been credited to supplementary pension funds or the treasury fund established by INPS (Italy's National Social Security Institute) on the basis of the implicit and explicit choices made by employees. The liability is projected to the future using the projected unit credit method in order to calculate the probable amount to be paid at the time of termination of employment, and is then discounted to take account of the time that will elapse before the effective payment. The liability recognised in the financial statements is based on the conclusion reached by actuaries external to ENAV. The calculation takes account of the severance entitlement accrued for service already rendered and is based on actuarial assumptions mainly comprising: demographic factors (such as employee turnover and mortality) and financial factors (such as the inflation rate and the discount rate for maturities consistent with the expected date of termination). The value of the liability recognised in the financial statements is, therefore, in line with that resulting from actuarial measurement, and the actuarial gains and losses determined in the calculation are allocated directly to shareholders' equity under other comprehensive income in the period in which they arise,

taking account of the related deferred tax effects.
The severance pay due to employees pursuant to Article 2120 of the Italian Civil Code accrued since 1 January 2007 and mandatorily credited to a supplementary pension fund or to the treasury fund at INPS is considered a defined-contribution plan. These plans are managed by third-party fund managers, in relation to which the Company has no obligation. The Company pays contributions, recognising them through profit or loss when they are incurred at their nominal value.
Termination benefits are paid to employees for 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 retirement date, or when an employee or a group of employees decides to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised immediately under personnel costs.

LONG-TERM SHARE-BASED INCENTIVE PLAN

Long-term share-based incentive plans, in conformity with IFRS 2, are a component of remuneration for the beneficiaries involving payment in the form of equity instruments (equity-settled share-based payment transaction). The cost of such plans is represented by the fair value of those instruments calculated at the grant date, and it is recognised under personnel costs over the period between the grant date and the vesting date, with a matching entry in the stock grant reserve under shareholders' equity. The overall estimated amount is deferred over the vesting period, and personnel costs and the corresponding increase in equity are periodically recognised as a portion of the estimated amount.
The estimated cost should be reviewed during the vesting period if subsequent information indicates that the number of instruments that will vest at the end of the vesting period will differ from the original estimates. The change in the estimate will, if necessary, be recognised as an adjustment in the stock grant reserve, with a matching entry in personnel costs.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised for losses and charges that an entity will certainly or probably incur but whose amount and/or timing are uncertain. Provisions are only recognised when there is a current obligation (legal or constructive) arising from a past event, the settlement of which is expected to result in an outflow of resources to discharge the obligation, and when it is possible to reliably estimate the amount.

Where the effect of the time value of money is material and the payment dates of the obligations can be reliably estimated, the provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When the provision is discounted, the periodic adjustment of the fair value associated with the time value of money is reflected in profit or loss as financial expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised as a separate asset when it is virtually certain that reimbursement will be received.

Changes in the estimates for provisions are recognised in profit or loss in the period in which the change takes place and produce an increase in liabilities. Reductions in estimates are recognised in liabilities up to the carrying amount and any excess is recognised through profit or loss under the same item they refer to.

The amounts recognised in the provision for risks and charges are separated into current and non-current amounts based on when the liability is expected to be paid or extinguished.

Risks for which the recognition of a liability is only possible are disclosed but no provision is made.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenues are recognised at the fair value of the consideration received or receivable, net of discounts and rebates, and are recognised when the entity satisfies a performance obligation to transfer a good or a service to a customer. The transfer takes place when the customer obtains control of the good or service, i.e. when the customer has the ability to direct its use and obtain substantially all the benefits. Control can be transferred at a certain point in time or over time, assessing the transfer using appropriate methods for measuring progress (output and/or input methods)

The transaction price also considers (using the expected value and/or most likely amount methods) variable components of the consideration when it is highly probable that there will not be a significant reversal of the revenue in the future. Transactions are also adjusted to take into account the time value of money.

The above methods of accounting for revenues took effect as from 1 January 2018 with the adoption of IFRS 15.

Revenues from contracts with customers are summarised below, broken down by nature:

- regulated market: two separate performance obligations to satisfy over time in the context of en-route and terminal streams. Progress is measures using the output method based on service units generated in en-route and terminal services and balances represent the variable consideration, appropriately adjusted to take account of the time value of money;
- non-regulated market: non-core revenues are broken down by type of transaction: flight inspection, aeronautical consulting, technical and engineering services, training and other revenues. Revenues typically recognised over time are limited mainly to aeronautical consulting services.

BALANCES – REVENUES FROM CONTRACTS WITH CUSTOMERS

The countries that belong to Eurocontrol used an en-route charging system until 31 December 2011 known as cost recovery. This system was based on the criterion 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 unit rates were kept at the value that made it hypothetically possible to achieve break-even. At the end of the year, if revenues were 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 recognition of a balance payable. If, on the other hand, revenues were lower than the costs incurred, greater revenue would be recognised 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 to adjust the amount of revenues to the effective billable costs incurred. The effects of this mechanism were reflected for rate purposes starting from the second year after the reference year and taken to profit or loss with the opposite sign of the balance recognised.
From 1 January 2015 this cost-recovery mechanism applied exclusively to terminal Charging Zone 3.
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 financial performance, 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 achieved in the reference period are set out. These efficiency targets involve the introduction of risk elements to be borne by providers, and therefore the Parent Company, with regard to both traffic and costs. In the wake of the COVID-19 pandemic and the significant impact it has had on the air transport sector, the European Commission adopted a number of exceptional measures for the third reference period with Implementing Regulation (EU) 2020/1627 of 3 November 2020 (2020-2024) concerning the Single European Sky performance and charging scheme, introducing a number of rules partially derogating from Implementing Regulation (EU) 2019/317 for that period. The Regulation introduced specific provisions concerning 2020 and 2021, which are considered as a single period, effectively suspending for that period the traffic risk-sharing mechanism in place since 2012. Under the provisions of the Regulation, balance revenues, which are determined on the basis of the actual performance provided in respect of Eurocontrol, shall be measured on the basis of the determined costs for 2019, reduced by a certain percentage for 2020-2021 depending on the performance target. In determining the cost-efficiency performance targets, the actual costs incurred by air navigation service providers should be taken into account. The balances that emerge from this calculation must, on an exceptional basis, be recovered over a period of five years, which can be extended to seven years, starting from 2023. Although the Regulation addresses en-route revenues, ENAV has extended its application to include terminal revenues for Charging Zones 1 and 2. The adjustment of route and terminal revenues will be charged to the item "Balances for the year".
The receivable and payable components of the balance, whether current or non-current, are classified under current and non-current trade receivables in the manner of contract assets/liabilities consistent with IFRS 15. The associated receivable/payable in respect of the balance is identified separately in the explanatory notes.
For both terminal services and en-route services, the "Balances for the year" item makes it possible to represent the volume of revenues corresponding to the performance effectively delivered during the reference period, which, as a result of the nature of the specific charging mechanisms, can only be settled ex post. In other words, the reductions or increases in revenues make it possible to recognise revenues for the reference period at the fair value of the consideration accrued as a result of the performance achieved.

The “Balances for the year” will be reflected in rates as indicated by the European Commission, while in the year ending the receivable/payable balance is recognised in profit or loss through the item “Balance utilisation” and included in the rate for the year.
Bearing in mind that the recovery of asset and liability balances is deferred in time and takes place on the basis of the plans to recover balances through rates, in accordance with IFRS 15, the Parent Company takes account of the time value of money in measuring those revenues, with initial recognition at their present value and subsequent recognition of accrued financial income/expense until their incorporation in unit rates.
If the balance recovery plans are changed, the Group adjusts the value of the balance receivable/payable in order to reflect the effective and recalculated estimated cash flows. The carrying amount is therefore recalculated by computing the present value of the future cash flows recalculated by applying the original interest rate. The resulting difference, in addition to adjusting the value of the balance receivable/payable, is recognised through profit or loss under financial items. As it involves a revision of the estimates after obtaining new and additional information, the change in balance recovery plans does not involve the restatement of balances for previous financial statements but it does require the prospective application of the changes.
The balance also includes a significant financing component, with a time horizon of more than 12 months. For this reason, the Group adjusts the transaction price to take account of the time value of money. The receivables and payables for balances, limited to the amounts recognised in the year, represent variable consideration, or contract assets/liabilities, which will be incorporated in unit rates in the future. The receivables and payables for balances included in rates for the year represent the draw-down at the time of invoicing of the contract assets/liabilities mentioned above. These contract assets/liabilities are classified under current and non-current trade receivables/payables and are reported separately in the explanatory notes.

GRANTS

Operating grants are recognised in the year in which the right to receive them becomes reasonably certain, irrespective of the date they are received.
Government capital grants are recognised if the grantor has made a formal award decision and only if, based on information available at year-end, it is reasonable certain that the project for which the grant is being made will actually be carried out and that the grant will be received. Government capital grants are recognised in a dedicated item under current and non-current liabilities, depending on the timing of their disbursement and they are reversed to the income statement as income at constant rates calculated with reference to the useful life of the asset to which the grant directly refers, thereby ensuring a correlation with the depreciation rates for those assets.

DIVIDENDS

Dividends received from investments in other companies are recognised through profit or loss at the time at which the unconditional right of shareholders to receive the payment is established, which is normally the resolution of shareholders’ meeting authorising the distribution of dividends.

COSTS

Costs are recognised when they involve goods and services sold or consumed in the year or through systematic allocation over a longer period until no future utility can be identified.

Costs are recognised in profit or loss in conjunction with the decline in the economic benefits associated with a reduction in an asset or an increase in a liability if this decrease can be reliably calculated and measured.

FINANCIAL INCOME AND EXPENSE

Financial income and expense is recognised on an accrual basis on the basis of the interest accrued on the net value of the associated 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, to the net carrying amount of the asset or liability. Interest income is measured to the extent that it is likely that the economic benefits will flow to the Company and the amount can be reliably measured.

INCOME TAXES

Current IRES (corporate income tax) and IRAP (regional business tax) taxes are calculated on the basis of the best estimate of 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 net of any pre-paid taxes.
Deferred tax assets and liabilities are calculated in respect of all temporary differences that emerge between the values recognised in the financial statements and the corresponding values calculated for tax purposes, applying the tax rate in force at the date on which the temporary difference will reverse, as determined on the basis of the tax rates set out in applicable regulations or essentially in force at the reference date. Deferred tax assets for all 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 generated 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, income or taxable income (tax loss).
Current taxes, deferred tax assets and deferred tax liabilities are recognised through profit or loss, with the exception of those relating to items directly debited or credited to components of other comprehensive income, which are recognised in equity. In such cases the tax effect is directly attributable to the components of other comprehensive income in equity.
Deferred tax assets and liabilities in respect of taxes levied by the same taxation authority are offset if there is a legally enforceable right to set off the current tax assets against the current tax liabilities generated at the time of their reversal.
Deferred tax assets and liabilities are classified under non-current assets and liabilities, respectively.
Taxes and duties not related to income are recognised in the income statement under other operating costs.

RELATED PARTIES

Related parties are identified by ENAV in accordance with IAS 24. Generally speaking, related parties refer to parties that share the same controlling entity with the ENAV, companies that directly or indirectly exercise control, are controlled, or are subject to the joint control of the 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 Company or related companies, as well as members of the Board of Auditors and their immediate family, key management personnel (including directors) and their immediate family, of ENAV and companies controlled directly or indirectly by the latter.
Related parties refer to entities controlled by ENAV. External related parties include the supervising Ministry, namely the Ministry of Infrastructure and Sustainable Mobility (formerly the Ministry of Infrastructure and Transport - MIT), and the controlling Ministry, namely the Ministry for the Economy and Finance (MEF), entities under the control, including joint control, of the MEF and associated companies.
For a detailed analysis of related-party transactions, please see to Note 30 of the separate financial statements.

TRANSLATION OF AMOUNTS IN FOREIGN CURRENCY

Assets and liabilities deriving from transactions in a currency other than the functional currency of ENAV are recognised at the exchange rate prevailing on the transaction date. At the end of the year, those assets and liabilities are adjusted at the exchange rate prevailing at the close of the year and any gains or losses are recognised through profit or loss.

USE OF ESTIMATES AND MANAGEMENT JUDGEMENTS, INCLUDING THOSE CONNECTED WITH THE COVID-19 PANDEMIC

In accordance with the IAS/IFRS, the preparation of the financial statement requires management to make accounting estimates based on complex and/or subjective judgements, evaluations, estimates based on historic experience and assumptions considered to be reasonable and realistic in view of the related circumstances and on the information available at the time of the estimate. The application of these estimates and assumptions influences the carrying amount of assets and liabilities and the disclosures 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. Actual results could differ from estimated results as a result of the uncertainty in the assumptions and conditions on which the estimates are based. The estimates and assumptions are reviewed periodically and the effects of each change are reflected in the accounts in the period in which the review of the estimate takes place, if the revision only affects the current period, or also in subsequent periods if the revision affects the current period and future periods.
In compliance with the recommendations issued by ESMA on 28 October 2020 and referred to by CONSOB on 16 February 2021 with regard to the impact of the COVID-19 pandemic, this section also reports the areas most affected by estimates and judgments that may have had greater impact as a result of the health emergency.
In the case of future changes in estimation processes, disclosures will be provided about the methodological changes with effect from the year in which that change could have an impact in the presence of certain additional elements and/or factors. Such changes in the conditions underlying the assumptions and judgements could have a significant impact on the financial statements.
In order to enhance understanding of the financial statements, the main financial statement items or accounting circumstances which could significantly affected by management judgements are reported below, highlighting the main assumptions adopted in the evaluation process, in compliance with international accounting standards.

MEASUREMENT OF REVENUES FOR BALANCES

As described in the Accounting Policies section, in the wake of the COVID-19 pandemic and the significant impact it has had on the air transport sector, the European Commission adopted exceptional measures for the third reference period with Implementing Regulation (EU) 2020/1627 of 3 November 2020 (2020-2024) concerning the Single European Sky performance and charging scheme, introducing a number of rules partially derogating from Implementing Regulation (EU) 2019/317 for that period. More specifically, the Regulation introduced specific provisions concerning 2020 and 2021, which are considered as a single period, effectively suspending the classic calculation of the balance based on traffic risk. Under the provisions of the Regulation, balance revenues, determined on the basis of effective performance delivered in respect of Eurocontrol, will be measured on the basis of the determined costs for 2019, reduced by a percentage based on the initial proposal of the European Commission, supported by the Performance Review Body (PRB), which is still subject to negotiation and approval by the Member States On the basis of the draft regulations currently available, the adjustment for the balance will be determined on the basis of an efficiency target linked to 2019 determined costs. The proposal of the European Commission, supported by the PRB, provides for actual determined costs for 2020-2021 to be reduced by a percentage representing the efficiency target of 10%. In view of the fact that under the provisions of Regulation (EU) 2020/1627 the targets will be determined and published by 1 May 2021 after completion of the negotiating process under way with the Member States, which could produce a different efficiency levels than that indicated in the above proposal. Following publication, the air navigation service providers and the Member States will be required to draft the new Performance Plan, which must be submitted to the Commission by October 2021 for approval. Note that the balances that emerge from this calculation must, on an exceptional basis, be recovered over a period of five years, which can be extended to seven years, starting from 2023. As discussed in the Report on Operations, following publication, the providers and the Member States will have to prepare the new Performance Plan to be sent to the Commission by October 2021. In the new Plan, in line with the new performance targets, the European providers will have to plan their own cost and traffic levels in order to determine unit rates for the 2022-2024 period.

The final approval of the RP3 Performance Plans was postponed to 2021, following the determination of new cost-efficiency targets.

At 31 December 2020, following an estimation process that, by its very nature and in view of the foregoing considerations, is exposed to uncertainty, the Board decided to adopt a prudential approach, using the European Commission's proposal as a basis even if it has not yet been adopted, determining the balance at 31 December 2020 as the ratio between revenues deriving from en-route and terminal services realised in 2020 and the actual determined costs for 2020, reduced to take account of the proposed cost-efficiency target (-10% compared with actual 2019 determined costs) advanced by the Commission. The balance will be recovered over a period of five years, starting from 2023, in accordance with the Regulation of the European Commission. The judgment exercised by management concerning the variable component of the balance, although affected by significant uncertainty connected with the possible contractual modifications discussed earlier, which could produce different quantifications of that variable component, is based on the most reliable information available to date to estimate the balance component accrued at 31 December 2020. Note 25 *Revenue from contracts with customers* provides additional information on the assessments performed by ENAV.

IMPAIRMENT AND RECOVERABILITY OF INVESTMENTS

For every reporting date of the financial statements the Company assesses whether there is objective evidence that investments are impaired.

Investments in subsidiaries are recorded at the purchase cost, as required under 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 financial plan and the analysis of the main market indicators.

The evaluation of the present value of cash flows requires management to make extensive use 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 present value is based could produce different measurements.

With reference to the evaluation of objective evidence of impairment losses with regard to the investment in Techno Sky and IDS AirNav, the test is carried out by calculating the value in use of the investments based on the discounted cash flow method.

The recoverable value was estimated on the basis of cash flows for a time horizon of 4 years (2021 - 2024) and are taken from the business plan approved by their respective boards of directors and by the Parent Company, also taking into account the budget approved for 2021. For the explicit forecast period, these flows are formulated on the basis of hypothetical assumptions and associated with the expectations for the development of the business, while the years following the explicit period use assumptions about long-term sustainable profitability to enable operational continuity (growth rates and other factors linked to macroeconomic dynamics).

The assumptions adopted by management for the estimation of “normalised” net operating cash flow are the following:

- definition of NOPAT (Net Operating Profit After Taxes) on the basis of the average for the four-year explicit forecast period (2021-2024);
- depreciation is aligned with investments to maintain fixed capital;
- working capital with balance of zero;
- the growth rate of operating cash flows after the explicit period in perpetuity, used to determine the residual value (g rate), has been estimated at 0.8% in line with the revision of the growth forecasts for Italy under current economic conditions.

In particular, the estimate of the growth rate (g rate) is influenced by the judgements and assumptions made by management, which consider internal and external information inputs, the latter being characterised by a degree of uncertainty, for example: examination of the annual budget, examination of the long-term financial plan and analysis of the main market indicators.

In determining the value in use, the expected future cash flows are discounted using a discount rate, the estimation of which is affected by the judgements and assumptions made by management, and which reflects current market assessments of the time value of money and the specific risks of operations. In particular, the discount rate was constructed according to the main following assumptions: the free risk, the country risk premium and the market risk premium were determined on the basis of data observable on the market, the beta was based on an estimate determined on the basis of 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 US company, Aireon LLC. Accordingly, the recoverability of the carrying amount of the investment in Enav North Atlantic LLC is connected to the recoverability of the values for the invest-

ment in the latter. Since the investment in Aireon LLC in the consolidated financial statements is measured at fair value with adjustments recognised through other comprehensive income, net of deferred taxation, for a full examination of the analysis process, please see the section "Use of estimates and management judgements, including those connected with the COVID-19 pandemic" in the consolidated financial statements.
Section 7 *Investments* provides information relating to the results of the valuations performed by the Company.

DETERMINING USEFUL LIFE

The depreciation and amortisation of property, plant and equipment and intangible assets is recognised on a straight-line basis over the estimated useful life of each asset. The useful life is calculated at the time the assets are acquired and is based on historical experience with similar investments, market conditions and forecasts involving future events that could have an impact on the useful life. Actual economic life may therefore differ from the estimated useful life. The Company evaluates technological changes annually in order to update the residual useful life. This updating could involve a change in the depreciation/amortisation period and therefore also the depreciation/amortisation charge for the year and future years.

RISK PROVISIONS

The Company recognises provisions for probable liabilities attributable to disputes and litigation with personnel, suppliers, third-parties and, in general, other charges in respect of obligations undertaken. The calculation of the risk provisions involves making estimates based on the current knowledge of factors that could change over time, potentially leading to final outcomes that could differ significantly from those taken into consideration in the preparation of the financial statements.

PROVISION FOR DOUBTFUL ACCOUNTS AND PROVISION FOR INVENTORY LOSSES

The provisions for doubtful accounts for inventory losses respectively reflect the estimates of losses on Company receivables in accordance with the expected credit loss (ECL) model introduced with IFRS 9 and the estimate for spare parts that have become obsolete and can no longer be used. With regard to the ECL model, the Company used a combination of internal and external inputs basis on historical analyses adjusted appropriately for forward-looking elements. Although the provisions are considered appropriate, the use of different assumptions or changes 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

NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT DID NOT HAVE AN IMPACT ON THE COMPANY'S SEPARATE FINANCIAL STATEMENTS

The following is a list of the new accounting standards, amendments and interpretations applicable to the Company as from 1 January 2020 with no impact on the Company's separate financial statements at 31 December 2020.

- *Amendment to references to the conceptual framework in IFRS standards* – issued on 29 March 2018 and endorsed on 29 November 2019. The new IFRS conceptual framework will replace the framework issued in 1989, already partly revised in 2010. The new framework will be applicable from 1 January 2020. This update will not amend existing standards and interpretations, but rather introduce cross-cutting definitions to various standards, guidance and parameters with regard to the concepts of measurement, presentation and disclosure and derecognition. In addition, the definitions of assets and liabilities and their recognition criteria will be updated and the general criteria for the preparation of financial statements for IFRS adopters will be clarified, with special reference to the concepts of prudence, stewardship, measurement uncertainty, and substance over form.
- *Amendment to IAS 1 and IAS 8: Definition of Material* – issued on 31 October 2018 and endorsed on 29 November 2019. The amendments to the standards regard a new definition of materiality, under which information is material if omitting, misstating or obscuring it could reasonably be expected to influence the financial decisions that stakeholders on the basis of that information. The concept of materiality depends on both the nature and magnitude of the information.
- *Amendment to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform,* issued on 26 September 2019 and endorsed on 15 January 2020. The amendments concern issues affecting financial reporting in the periods preceding the replacement of an existing benchmark index with an alternative interest rate. These amendments provide guidance about the highly probable and forward-looking assessments required by IFRS 9 and IAS 39 for hedging relationships which are impacted by the uncertainties of the IBOR reform. For the same reason, the amendments provide indications concerning retrospective assessment in accordance with IAS 39. The exceptions described in the amendments only apply to hedging relationships directly affected by the uncertainties of the IBOR reform.
- *Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions,* issued on 28 May 2020, endorsement pending. The IASB issued amendment in order to simplify the accounting treatment of the impacts associated with the COVID-19 emergency for lessees in the event of temporary reductions in rental payments on leased assets. In particular, the amendment exempts lessees from considering whether rent concessions obtained as a consequence of the COVID -19 pandemic represent a lease modification or not, and therefore allows lessees to account for such concessions as if they do not represent a modification of the lease. The amendments apply to rent concessions granted as a result of the current global pandemic if the concessions result in a reduction in payments due on leases before 30 June 2021.
- *Amendment to IFRS 3 Business Combinations* – issued on 22 October 2018 and endorsed on 21 April 2020. The amendments to the standard mainly regard the definition of business, in order to support entities in identifying the demarcation line between business combination and acquisition of a group of assets. More specifically, the amendments: a) clarify that a business must include at least an input and a substantive process that together significantly contribute to the ability to create outputs; b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; d) narrow

the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments to IFRS 3 have been prompted by the commitment to achieve a desirable convergence between FASB and IASB and to make financial disclosures prepared with the different reporting flows comparable.

NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TAKING EFFECT FOR PERIODS AFTER 31 DECEMBER 2020 AND NOT ADOPTED EARLY BY THE COMPANY

The following is a list of new accounting standards, amendments and interpretations that will be applied by the Company in annual accounting periods after that ending 31 December 2020. The Company will assess the expected impact of their first-time adoption:

- *Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2*, issued on 27 August 2020 and endorsed on 13 January 2021. The amendments for phase 2 address issues that could affect financial reporting when changing the interest rate, including the effects of changes in contractual cash flows or hedging relationships resulting from the replacement of an interest rate benchmark with an alternative rate (replacement issues).
  The amendments will take effect for reporting periods that begin on or after 1 January 2021.
- *Amendment to IAS 1: Classification of Liabilities as Current or Non-current* – issued on 23 January 2020, with deferral of initial application issued on 15 July 2020. With this amendment, the IASB modified paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by the right to defer settlement, that this right must exist at the end of the financial year and that classification is unaffected by the likelihood that an entity will exercise its deferral right. Finally, the amendment also clarifies that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
  The amendments will take effect for annual reporting periods beginning on or after 1 January 2023. The Group is monitoring the discussions under way within the IFRS Interpretations Committee.
- *Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use* – issued on 14 May 2020, with endorsement expected in the second half of 2021. These amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. An entity shall recognise the proceeds from the sale of these items, and the costs to produce them, in profit or loss.
  The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2022. Entities are required to apply the amendments retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments.
- *Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of fulfilling a contract* – issued on 14 May 2020, with endorsement expected in the second half of 2021. The amendments clarify which costs must be considered by an entity in assessing whether a contract is onerous, i.e. loss-making. The amendment provides for the application of a "directly related costs approach". Costs that relate directly to a contract for the supply of goods or services consist of both incremental costs and other costs that relate directly to fulfilling contracts. General and administrative costs are not directly related to a contract and are excluded unless they are explicitly charged to the counterparty under the terms of the contract.

The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2022.

- *Annual Improvements 2018-2020* – issued on 14 May 2020, with endorsement expected in the second half of 2021. As part of the cycle of improvements of accounting standards, the IASB published an amendment of IFRS 1 First Time Adoption, which permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure the cumulative translation differences at the amounts that would be included in the parent's consolidated financial statements, based on parent's date of transition to the IFRSs. The amendment also applies to associates and joint ventures. The IASB also amended IFRS 9, clarifying that the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. In particular, these include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity shall apply the amendment to financial liabilities that are modified or traded subsequent to the date of the first reporting period in which the entity applies the amendment for the first time.
  The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2022. Early adoption is permitted.
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies* – issued on 12 February 2021. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. More specifically, an n entity is now required to disclose its material accounting policy information instead of its significant accounting policies and several paragraphs are added to explain how an entity can identify material accounting policy information, which may be material because of its nature, even if the related amounts are immaterial. Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. In addition, IFRS Practice Statement 2 was amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.
  The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2023.
- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* – issued on 12 February 2021. The amendments introduce a definition of accounting estimates to replace the concept of changes in accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Entities develop an accounting estimate if an accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. Furthermore, the Board clarifies that a change in an accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period error. A effect of a change in an accounting estimate is recognised in profit or loss in the period of the change, if the change affects that period only or the period of the change and future periods, if the change affects both. The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2023.

Notes to the statement of financial position

5. Property, plant and equipment

The table below shows changes in property, plant and equipment at 31 December 2020 compared with the previous year.

	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
Cost	538,051	1,975,059	323,907	312,066	200,614	3,349,697
Accumulated depreciation	(238,518)	(1,552,353)	(272,167)	(287,951)	0	(2,350,989)
Balance at 31.12.2019	**299,533**	**422,706**	**51,740**	**24,115**	**200,614**	**998,708**
Increases	12,591	39,194	4,968	9,765	75,691	142,209
Disposals - cost	(40)	0	0	(663)	0	(703)
Disposals - accumulated depreciation	40	0	0	633	0	673
Reclassification	0	(17)	(107)	0	(67,016)	(67,140)
Impairment losses	(2,079)	(433)	(1,619)	0	(99)	(4,230)
Depreciation	(20,425)	(86,959)	(11,020)	(8,152)	0	(126,556)
Total changes	**(9,913)**	**(48,215)**	**(7,778)**	**1,583**	**8,576**	**(55,747)**
Cost	547,314	2,013,116	275,388	321,168	209,190	3,366,176
Accumulated depreciation	(257,694)	(1,638,625)	(231,426)	(295,470)	0	(2,423,215)
Balance at 31.12.2020	**289,620**	**374,491**	**43,962**	**25,698**	**209,190**	**942,961**

(thousands of euros)

Property, plant and equipment in 2020 decreased by a net €55,747 thousand, reflecting:

- depreciation for the period of €126,556 thousand (€129,503 thousand in 2019), of which €735 thousand in respect of right-of-use assets;
- an increase in property, plant and equipment of €142,209 thousand, of which €66,518 thousand relating to investments that entered service during the period. This included: i) the construction of the new technical and office facilities for the Genoa Airport; ii) the multilateration system for the Bergamo Orio al Serio and Venice Tessera airports; iii) the technology upgrading of the operational room and services LAN of the Padua Area Control Centre; iv) the implementation of the Data Link system phase 3; v) the upgrade of meteorological systems at the Pantelleria, Bolzano and Rome Urbe airports to the ICAO 74 amendment; vi) the implementation of security via audio over IP at various remote sites; vii) implementation of the Verona airport weather system; viii) the moder-

nisation of the ILS radio aid system for Brindisi airport; ix) the construction of the airport fibre optic network and-modernisation of the Ground-Air radio station at the Turin Caselle airport; x) the implementation of the system needed to use the A-CDM (Airport Collaborative Decision Making) procedure at the Bergamo Orio al Serio and Naples Capodichino airports. The A-CDM is an integrated platform that transmits information on the status of all departing flights in real time to Eurocontrol's European operations centre; and xi) evolutionary maintenance on various systems. Increases of €75,691 thousand refer to progress on assets under construction as part of investment projects, including: i) the 4-Flight programme, whose objective is to develop the entire Air Traffic Management (ATM) technology platform of the ACCs based on SESAR operational concepts and taking the Coflight system as a basic component. With regard to the new generation flight data processing system called Coflight, which supports controllers in calculating the expected flight trajectory, created in collaboration with the French provider DSNA, the development of the V3R2 version and the V3R3 was begun and will be integrated into the 4-Flight programme; ii) the automation programme for the operation of control towers towards full electronic management at six airports; iii) the modernisation and upgrading of airport sound recording systems; iv) the new tower and technical area of the Treviso airport; v) the TOC (Technical Operations Centre) programme dedicated to the new model for managing the maintenance of air traffic control plant and systems; vi) the construction of the new ENET-2 communication network, which will replace the existing ENET network connecting all national operating sites, handling operational voice, radar data, flight plans, weather, AIS and plant control;

- the decreases due to reclassifications totalling €67,140 thousand, mainly regarding investment projects that were completed and entered service during the year, with classification to a specific account, amounting to €66,518 thousand, as well as €622 thousand for the reclassification of certain components of operating systems in inventories for replacement parts;
- writedowns of property, plant and equipment amounting to €4,230 thousand, mainly referring to the effects of the decree of the Ministry for the Economy and Finance of 3 April 2020 for the return to the State of assets no longer instrumental to ENAV's institutional purposes and subsequent reassignment to ENAC, pursuant to the combined provisions of Articles 692 and 693 of the Navigation Code for subsequent assignment under a concession arrangement with the airport operator. Upon publication of the decree in the Official Journal on 30 November 2020, the assets affected by the decree were derecognised, including the illuminated visual aid systems of a number of airports with a residual net value of €3,448 thousand, which pursuant to Article 2 of the above decree can be recovered through adjustments to Charging Zone 3 terminal rates using a graduated mechanism agreed with ENAC.

Note that part of the investments, with a historical cost of €277.4 thousand, are financed by capital grants disbursed under the National Operational Programme (NOP) for Transport for the years 2000-2006 and 2007-2013 for initiatives at southern airports, grants from the Ministry of Sustainable Infrastructure and Mobility for investments in military airports, in accordance with Law 102/09 and projects financed at the European level. The capital grants for these investments are accounted for as other liabilities and reversed to profit or loss in line with the depreciation of the investments to which they refer. The amount attributable to the year came to €9,569 thousand.

6. Intangible assets

The following table reports changes in intangible assets at 31 December 2020 compared with the previous year:

	Industrial patent and intellectual property rights	Other intangible assets	Asset under development	Total
Cost	152,939	2,085	43,675	198,699
Accumulated amortisation	(137,877)	(2,085)	0	(139,962)
Balance at 31.12.2019	**15,062**	**0**	**43,675**	**58,737**
Increases	9,211	0	12,024	21,235
Disposals	0	0	0	0
Reclassification	0	0	(9,211)	(9,211)
Impairment losses	0	0		0
Amortisation	(10,012)	0	0	(10,012)
Total changes	**(801)**	**0**	**2,813**	**2,012**
Cost	162,150	2,085	46,488	210,723
Accumulated amortisation	(147,889)	(2,085)	0	(149,974)
Balance at 31.12.2020	**14,261**	**0**	**46,488**	**60,749**

(thousands of euros)

Intangible assets totalled €60,749 thousand, a net increase of €2,012 thousand, reflecting the following changes:

- amortisation for the year of €10,012 thousand (€10,129 thousand in 2019);
- increases in intangible assets totalling €21,235 thousand, including €9,211 thousand in respect of investment projects completed and entering service during the year, including software and licenses for management and operational systems implemented to support flexible working arrangements, as well as systems supporting SESAR operational activities. The increase also included €12,024 thousand from investment projects in progress, including progress on the activities relating to the ERP Oracle management system with a view to implementing the system among the companies of the ENAV Group. The Company verified that that item had not incurred any impairment loss as at the reporting date;
- decreases in intangible assets of €9,211, all of which regarded for investment projects completed and entering service that were classified to a specific account.

7. Investments

Investments amounted to €188,248 thousand and did not change compared with the previous year.

	31.12.2020	31.12.2019	CHANGE
Investments:			
Subsidiaries	**188,081**	188,081	0
Other companies	**167**	167	0
Total	**188,248**	**188,248**	**0**

(thousands of euros)

Investments in subsidiaries include:

- the 100% stake in **Techno Sky** amounting to €99,224 thousand. This carrying amount, which is greater than the corresponding portion of shareholders' equity, underwent impairment testing at 31 December 2019, in order to assess the recoverability of the carrying amount. The recoverable value was estimated on the basis of the cash flows drawn from the 2021-2024 business plan approved by the Techno Sky Board of Directors on 13 April 2020, also taking account of the budget for 2021 approved on 21 December 2020. Those cash flows for the explicit forecast period are formulated on the basis of assumptions and expected developments in the business, while those for the years subsequent to the explicit period have been developed on the basis of assumptions about sustainable long-term profitability enabling the company to continue as a going concern. The recoverable value was calculated by discounting the operating cash flows using the discounted cash flow (DCF) method. The discount rate used was the WACC, equal to 7.3%, with a nominal growth rate for operating cash flows post explicit period forecast of 0.8%, consistent with current macroeconomic conditions. Following the test, the recoverable value was found to be higher than the carrying amount and, consequently, no impairment losses have been recognised;
- the investment in **IDS AirNav** amounting to €41,126 thousand. The carrying amount of the investment, which exceeds the corresponding share of equity, underwent impairment testing at 31 December 2020 in order to assess the recoverability of the carrying amount. In determining recoverable value, reference was made to value in use. The discount rate used is a WACC of 12.6% with a growth rate of operating cash flows in nominal terms, after the forecast for the explicit period, equal to 0.8%, consistent with the revised growth forecasts for Italy. Management decided that the estimation of recoverable value would use the value in use estimated on the basis of the cash flows drawn from the 2021-2024 business plan prepared by the subsidiary, taking account of the budget for 2021 approved by IDS AirNav's management on 12 April 2021. The plan shows the effects of the COVID-19 emergency, which caused a contraction of 25% in revenue on the non-regulated market over the explicit period of 2021-2024 compared with the previous plan, with a gradual return to normal in 2024, as revenues and margins return to close to pre-COVID levels. The assumptions on which the company based the preparation of the financial plan are founded on an understanding of the reference market, the information received from the Strategic Marketing unit of ENAV. The test found that the recoverable value is greater than the carrying amount of the investment and, consequently, no impairment was recognised.

- the 100% interest in **Enav North Atlantic**, a company incorporated under American law in the legal form of a limited liability company, assumed the obligations deriving from the Subscription Agreement signed in December 2013 for the purchase of 12.5% of the shares of Aireon, a US company in the Iridium Group, whose corporate purpose is the supply of instrumental services to air navigation surveillance activities through a special payload device installed on board the 66 operational Iridium satellites, creating the first global air traffic surveillance system with coverage of areas not currently covered by radar. Payment for the acquisition was structured in four instalments, the last of which was settled in 2017, for a total investment of $61.2 million and a stake at 31 December 2020 of 9.14%, which, under a redemption clause envisaged among the obligations deriving from the Subscription Agreement, is expected to rise to 11.1%. The stake allocated to ENAV post-redemption is smaller than that provided for in the agreements signed in 2013 due to the dilutive effects connected with the entry of the British service provider NATS among the shareholders of Aireon LLC in 2018.
  At 31 December 2020, the value of the investment in Enav North Atlantic amounted to €47,553 thousand. The carrying amount of the investment in Enav North Atlantic reflects the recoverability assumptions underlying the determination of the fair value of the investment in Aireon LLC, reported in the Note 9 *Investments in other entities* to the consolidated financial statements.
- the 100% interest in Enav Asia Pacific amounting to €127 thousand and the 60% stake in D-Flight S.p.A. with a carrying amount of €50 thousand.

Investments in other entities include the 16.67% stake in the French company ESSP SaS, in which the main European service providers are shareholders and which operates the EGNOS satellite navigation system and provides the associated services, in the amount of €167 thousand. In 2020, dividends received from the company amounted to €417 thousand.

For comments on the performance of subsidiaries in 2020, please see to the appropriate section of the Report on Operations.

A breakdown of investments held at 31 December 2020, with an indication of the interest held and the related carrying amount, is shown below:

Name	Head-quarters	Balance sheet date	Share capital	Profit(loss) for the year	Equity at 31.12.2020	% share	Shareholders' equity pertaining to ENAV	Book value at 31.12.2020
Subsidiaries								
Techno Sky S.r.l.	Rome	31.12.2020	1,600	18,293	**38,591**	100%	38,591	**99,224**
D-Flight S.p.A.	Rome	31.12.2020	50	(778)	**5,369**	60%	3,221	**50**
IDS AirNav S.r.l.	Rome	31.12.2020	500	2,279	**7,074**	100%	7,074	**41,126**
ENAV Asia Pacific	Kuala Lumpur	31.12.2020	127	692	**4,579**	100%	4,579	**127**
ENAV North Atlantic	Miami	31.12.2020	44,974	4,657	**54,476**	100%	54,476	**47,554**

Separate indication of the investment classified among assets held for sale whose equity value is greater than their carrying amount is given below:

Name	Head-quarters	Balance sheet date	Share capital	Profit(loss) for the year	Equity at 31.12.2020	% share	Shareholders' equity pertaining to ENAV	Book value at 31.12.2020
Entities classified has held for disposal								
ENAV Espana Control Aereo S.L.U.	Madrid	31.12.2020	4	(12)	**9**	100%	9	**24**
Sicta Consortium in liquidation	Napoli	31.12.2020	1,033	(5)	**1,312**	60%	787	**705**

8. Current and non-current financial assets

Current financial assets amounted to €11,304 thousand, while the value of non-current financial assets was zero at the end of 2020, as indicated in the following table:

	31.12.2020			31.12.2019			CHANGE		
	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Financial assets at amortised cost	**11,304**	**0**	**11,304**	30,009	3,346	33,355	(18,705)	(3,346)	(22,051)
Derivative financial instruments	**0**	**0**	**0**	10	85	95	(10)	(85)	(95)
Total	**11,304**	**0**	**11,304**	**30,019**	**3,431**	**33,450**	**(18,715)**	**(3,431)**	**(22,146)**

(thousands of euros)

Current financial assets decreased by a net €18.7 million, reflecting: i) the elimination of the financial investment in two BTP government bonds with a total nominal value of €25 million, which matured on 15 October 2020 and 1 November 2020 respectively, generating proceeds of €24.9 million; ii) an increase of €3 million in the intercompany loan to the subsidiary IDS AirNav maturing on 30 June 2021, which bears an interest rate of 2%. In January 2021, the maturity of the loan was extended to 31 December 2022; and iii) the reclassification to current financial assets of the intracompany loan, including accrued interest, granted in 2017 to the subsidiary ENAV North Atlantic, bearing an annual interest rate of 2.5% with bullet repayment at 31 December 2021.
Non-current financial assets were equal to zero at 31 December 2020 following the reclassification to current assets of the intercompany loan granted to ENAV North Atlantic as previously reported.
The reduction of the carrying amount of current and non-current derivative financial instruments from €95 thousand to zero reflects their fair value measurement, which led to the recognition of a financial liability. The financial instrument establishes a perfectly effective hedging relationship, accounted for using the cash flow hedge method. Please see Note 34 for all the information required by IFRS 7.

9. Deferred tax assets and deferred tax liabilities

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

	31.12.2019		Incr./decr. trought profit or loss		Incr./decr. trought OCI		31.12.2020	
	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	26,731	6,414	4,439	1,066	0	0	**31,170**	**7,480**
Writedown of inventories	9,905	2,377	(824)	(198)	0	0	**9,081**	**2,179**
Discounting of receivables	135	33	20,712	4,971	0	0	**20,847**	**5,004**
Discounting employee severance pay	3,067	737	0	0	503	121	**3,570**	**858**
Non-deductible portion of severance pay	186	45	0	0	0	0	**186**	**45**
Fair value of derivatives	4	1	0	0	58	14	**62**	**15**
Other	250	60	322	77	0	0	**572**	**137**
Total	**40,278**	**9,667**	**24,649**	**5,916**	**561**	**135**	**65,488**	**15,718**
Deferred tax liabilities								
Other	5,747	1,380	860	206	0	0	**6,607**	**1,586**
Discounting of debt	885	213	(762)	(183)	0	0	**123**	**30**
Tax effect of IFRS conversion	2,316	687	(268)	(76)	0	0	**2,048**	**611**
Fair value of derivatives	2,676	642	0	0	(96)	(23)	**2,580**	**619**
Total	**11,624**	**2,922**	**(170)**	**(53)**	**(96)**	**(23)**	**11,358**	**2,846**

(thousands of euros)

The change in the year in deferred tax assets and deferred tax liabilities, which have a balance at the end of 2020 of €15,718 thousand and €2,846 thousand, respectively, is attributable to the following factors:

- the utilisation and recognition of new taxable risk provisions and the provision for doubtful accounts as a result of the circumstances discussed in Notes 11 and 17;
- the recognition of the deferred tax associated with the discounting of receivables and payables recognised in 2020, net of the amount reversed to profit or loss for the year;
- the recognition of employee severance pay in accordance with the actuarial method, which produced an actuarial loss recognised in other comprehensive income;
- the measurement at fair value of derivative financial instruments, recognised in other comprehensive income.

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

10. Current and non-current tax receivables

Non-current tax receivables amounted to €23,216 thousand, of which €23,164 refer to the receivable for the excess IRES paid by the Group in 2007-2011 as a result of the non-deduction of IRAP relating to personnel and similar costs, as indicated in the application for reimbursement submitted on 6 March 2013. Specifically, the right to reimbursement originated with the provisions of Article 2 of Decree Law 201/2011, which allowed the specific deduction of such costs from the business income aggregate adopted as the tax base for IRAP (regional business tax). Previously, only 10% of those costs could be deducted. That decree was subsequently amended by Decree Law 16/2012, which in Article 4, paragraph 12, extends that deductibility to previous tax periods as from the 2007 tax year. In accordance with the requirements of the Revenue Agency, which call for repayment starting from the most distant tax periods and in the order of the electronic transmission of data flows, it was deemed prudential to classify this receivable under non-current assets.

Current tax receivables amounted to €10,714 thousand, an increase of €6,727 thousand, mainly attributable to the IRES receivable for the year.

	31.12.2020	31.12.2019	CHANGE
Receivables from tax authorities for VAT	**3,347**	3,753	(406)
IRAP receivable	**378**	58	320
IRES receivable	**6,867**	0	6,867
Other current tax receivables	**149**	203	(54)
Total	**10,741**	**4,014**	**6,727**

(thousands of euros)

The **IRAP receivable** amounted to €378 thousand, representing the difference between the 2019 receivable increased by €12 thousand for adjustments in the tax return, payments on account during the year of €4,070 thousand and the Company's tax liability for 2020 of €3,693 thousand.
The **IRES receivable** amounted to €6,867 thousand, representing the difference between payments on account during the year of €18 million and the tax liability for 2020 of €11,133 thousand.

11. Current and non-current trade receivables

Current trade receivables amounted to €121,728 thousand and non-current trade receivables amounted to €385,971 thousand, mainly in respect of receivables for balances, as detailed in the following table:

	31.12.2020	31.12.2019	CHANGE
Current trade receivables			
Receivables from Eurocontrol	**94,708**	152,851	(58,143)
Receivables from the Ministry for the Economy and Finance	**10,243**	12,114	(1,871)
Receivables from the Ministry of Sustainable Infrastructure and Mobility	**30,000**	30,000	0
Receivables from others	**15,977**	17,519	(1,542)
Receivables for balances	**2,559**	16,098	(13,539)
	153,487	228,582	(75,095)
Provision for doubtful accounts	**(31,759)**	(28,906)	(2,853)
Total	**121,728**	**199,676**	**(77,948)**
Non-current trade receivables			
Receivables from customers	**741**	1,480	(739)
Receivables for balances	**385,230**	8,133	377,097
Total	**385,971**	**9,613**	**376,358**

(thousands of euros)

Receivables from Eurocontrol regard to the fees in respect of en-route and terminal revenues not yet received as of 31 December 2020, most of which have not yet fallen due, amounting to €65,748 thousand (€106,877 thousand at 31 December 2019) and €28,960 thousand (€45,974 thousand at 31 December 2019), respectively, gross of the provision for doubtful accounts. The overall decrease of €58,143 thousand mainly reflected a decrease in turnover beginning in March 2020 attributable to the coronavirus health emergency, which caused a steep decline in services connected with air traffic activities. In the last two months of 2020, the reduction amounted to €63.2 million compared with the same period of the previous year. This was partly offset by the payment deferral granted by all of the member countries of Eurocontrol to airlines for flights in the period between February and May 2020, for which the arrears for February were collected in November 2020 while those for the other months will fall due every three months. The receivable from Eurocontrol, net of the provision for doubtful accounts, amounted to €73,117 thousand (€133,816 thousand at 31 December 2019).

Receivables from the Ministry for the Economy and Finance (MEF) of €10,243 thousand are entirely accounted for by the en-route and terminal exemptions recognised in 2020, a decrease of €1,871 thousand compared with the previous year, reflecting a decline in service units in the year. The receivable in 2019 of €12,114 thousand was offset, after approval of the 2019 financial statements, with the payable to the Italian Air Force for the collections in respect of the en-route charges of €77,515 thousand, which left a payable of €65,401 thousand due to the MEF, which was recognised under other liabilities.

Receivables from the Ministry of Sustainable Infrastructure and Mobility includes the operating grant for the year, equal to €30,000 thousand, which is intended to offset the costs incurred by ENAV to guarantee the safety of its plant and operational safety, as provided for by Article 11-*septies* of Law 248/05. In November, €30 million recognised in 2019 were collected.

Receivables from others recognised under non-current trade receivables amounting to €741 thousand regards the receivable due from Alma Mater Studiorum University of Bologna, which purchased the Academy building complex in 2018, with part of the price deferred in four annual instalments of €750 thousand on 28 June each year. In 2020 the second instalment was received and that falling due on 28 June 2020 was classified under current receivables, while the last instalment is recognised under receivables falling due after 12 months, net of discounting effects. To guarantee the deferred payment, Alma Mater Studiorum University of Bologna granted a voluntary first mortgage of the same duration as the payment extension on the properties involved in the sale.

The **provision for doubtful accounts** amounted to €31,759 thousand, with changes in 2020 breaking down as follows:

			DECREASES		
	31.12.2019	**Increases**	**Utilisations**	**Cancellations**	**31.12.2020**
Provision for doubt accounts	28,906	6,254	(587)	(2,814)	**31,759**

(thousands of euros)

The increase in the year in the provision for doubtful accounts reflected both positions written off following the bankruptcy of a number of Italian and European air carriers and the effects of the updating of the valuation model used to assess the recoverability of receivables, which was revised in the wake of the COVID-19 emergency. The new model has been specifically updated in connection with the increase in the risk presented by the air transport sector, which has a direct impact on the expected collection of the receivable due from Eurocontrol. The adjustments were determined on the basis of the deterioration in the credit standing of a basket of representative companies in the air transport sector.

The decrease in the provision for doubtful accounts includes €587 thousand in respect of receivables prudentially written down in previous years and collected during 2020, while €2,814 thousand regard the writeoff of receivables in respect of Eurocontrol, which does not affect the right to recover the receivable.

The uses are recognised in the income statement under the item “writedowns and impairment (reversals of impairment)”.

Receivables for balances amounted to €387,789 thousand net of discounting effects (€24,231 thousand at 31 December 2019), a net increase of €363,558 thousand. In determining the balance, account was taken of Regulation (EU) 2020/1627 of 3 November 2020 of the European Commission concerning the charging scheme in order to take account of the global health emergency, which has had a significant impact on the air transport sector. That Regulation introduced rules that partially derogate from Regulation (EU) 2019/317 concerning the performance and charging scheme and adopted specific provisions in relation to 2020 and 2021, which are considered as a single period, effectively setting aside the traffic risk-sharing mechanism. Under the provisions of the Regulation, balance revenues connected with services provided in respect of Eurocontrol shall be measured on the basis of the determined costs for 2019 calculated in real terms, for which a percentage reduction has been determined that will be applied to actual determined costs for 2020-2021, and total revenues generated in the reference years. On the basis of this criterion, a balance of €295 million emerges for en-route charges. This criterion was also extended to the overall determination of terminal balances for Charging Zones 1 and 2, which were equally affected by the health crisis. This resulted in an overall balance of €41.3 million. The balance for Charging Zone 3 amounted to €64.2 million. Considering the fact that recovery of these balances pursuant to the EU Regulation will have to be spread over a period of five years, which can be extended to seven years, starting from 2023, we discounted them over that period, producing an overall negative value of €20.8 million. Finally, receivables for balances decreased by a total of €16.2 million in 2020 due to the amount included in rates for the year.

12. Inventories

Inventories, which are represented by spare parts, amounted to €61,551 thousand net of provisions for doubtful accounts, a net increase of €870 thousand on the previous year. Changes during the year break down as follows:

	31.12.2019	Increases	Decreases	31.12.2020
Bonded inventory	65,365	3,217	(3,374)	**65,208**
Direct inventory	5,223	782	(580)	**5,425**
	70,588	3,999	(3,954)	**70,633**
Allowance for inventory losses	(9,907)	(341)	1,166	**(9,082)**
Total	**60,681**	**3,658**	**(2,788)**	**61,551**

(thousands of euros)

The increases of €3,658 thousand, net of the inventory loss provision, mainly reflects bonded inventory for the purchase of spare parts for operating systems used for air navigation, including spare parts to support radar systems, telecommunications and meteorological systems. Part of the increase, equal to €622 thousand, was attributable to parts of systems classified to inventories from property, plant and equipment. The decreases of €3,954 thousand, gross of the inventory loss provision, reflected the use of spare parts in operating systems, which decreased compared with the previous year.

The provision for inventory losses increased by €341 thousand for replacement parts that became obsolete as they were designed for plant no longer in use and decreased by €1,166 thousand as a result of the disposal of spare parts already written down in previous years.
The spare parts in the bonded inventory are deposited with the subsidiary Techno Sky, which manages them on behalf of ENAV.

13. Intercompany receivables and payables

Receivables and payables with Group companies amounted to €31,236 thousand (€37,452 thousand at 31 December 2019) and €71,896 thousand (€68,631 thousand at 31 December 2019), respectively.
The following table provides a breakdown of **intercompany receivables**:

	31.12.2020	31.12.2019	CHANGE
Due from Group Companies			
Techno Sky	**29,148**	36,940	(7,792)
ENAV Asia Pacific	**78**	183	(105)
D-Flight	**570**	243	327
IDS AirNav	**1,440**	85	1,355
Sicta Consortium in liquidation	**0**	1	(1)
Total	**31,236**	**37,452**	**(6,216)**

(thousands of euros)

The item showed a net decrease of €6,216 thousand compared with 31 December 2019, mainly due to a decrease in the receivable due from Techno Sky associated with the correspondent current account, which decreased by €21.6 million as a result of the decline in disbursements made in the during the year to close debtor positions.
The receivable from IDS AirNav regards both the intercompany service contract for services provided centrally by ENAV and the secondment of personnel to the subsidiary for commercial activities.
The following table provides a breakdown of **intercompany payables**:

	31.12.2020	31.12.2019	CHANGE
Due to Group Companies			
Techno Sky	**70,341**	67,169	3,172
IDS AirNav	**1,555**	1,462	93
Total	**71,896**	**68,631**	**3,265**

(thousands of euros)

The increase of €3,265 thousand mainly regards transactions with the subsidiary Techno Sky, the provision for invoices to be received for the last two months of the maintenance fee for both operational and non-operational systems, maintenance of illuminated visual aids and activities related to investment projects.

14. Other current and non-current assets

Other current assets amounted to €51,170 thousand and other non-current assets totalled €7,752 thousand. The item breaks down as follows:

	31.12.2020	31.12.2019	CHANGE
Other current receivables			
Receivables from government entities for capital grants	**35,239**	32,977	2,262
Receivables from personnel	**3,248**	3,460	(212)
Receivables from various entities for projects funded	**12,139**	9,508	2,631
Prepaid expenses	**944**	354	590
Other receivables	**2,300**	2,646	(346)
	53,870	48,945	4,925
Provision for doubtful accounts	**(2,700)**	(2,745)	45
Total	**51,170**	**46,200**	**4,970**
Other non-current receivables			
Receivables from government entities for capital grants	**7,752**	16,344	(8,592)
Total	**7,752**	**16,344**	**(8,592)**

(thousands of euros)

Receivables from government entities for capital grants decreased by €6,330 thousand compared with 31 December 2019, mainly due to the collection of grants under the deconflicting tool investment project at the Brindisi Area Control Centre and the wind shear project at the Palermo airport in the total amount of €6.3 million. During the year, €8,649 thousand were reclassified under current receivables for a number of a number of investment projects begun in 2020 that had not yet been awarded in 2019.
Receivables from personnel refer to the advances paid to employees for travel expenses and not yet completed at the end of the year, of which the largest portion (€2,700 thousand) regards expense advances paid to former employees of ENAV, already investigated by judicial authorities and prudently written down in previous years. Following rulings nos. 745/2011 and 966/2012 of the Court of Auditors, which ordered the defendants to repay the amounts, a number of repayment plans to recover the receivables were established. In 2020, €45 thousand were collected, reducing the provision. In order to secure the receivable, one fifth of pension payments and severance benefits were placed under sequestration, while current accounts and, for some parties, real estate were also seized.
Receivables from various entities for projects funded, totalling €12,139 thousand, show a net increase of €2,579 thousand on 31 December 2019 due to the recognition of receivables on projects financed under the Connecting Europe Facility (CEF) calls for 2015 and 2017 in the amount of €5.3 million following the reporting of the accounts in 2020 and the recognition of the share co-financed as part of the activities performed under the SESAR 2020 Wave 2 project. The receivable declines as a result of amounts collected for the SESAR 2020 Wave 1 project and the interim payment on project financed under the CEF call for 2016, for which the accounts were reported in 2019.
Prepaid expenses amounted to €944 thousand, a net increase of €590 thousand on 31 December 2019, mainly reflecting fees paid to financial institutions in connection with the grant of new financing.

15. Cash and cash equivalents

The following table provides a breakdown of cash and cash equivalents at 31 December 2020:

	31.12.2020	31.12.2019	CHANGE
Bank and post office deposits	**292,841**	429,885	(137,044)
Cash and cash equivalents on hand	**29**	29	0
Total	**292,870**	**429,914**	**(137,044)**

(thousands of euros)

Cash and cash equivalents totalled €292,870 thousand, a net decrease of €137,044 thousand that mainly reflected developments in receipts and payments connected with ordinary operations, which produced a negative cash flow owing to the reduction in receipts from core business operations as a result of the effects of the COVID-19 pandemic. The health emergency produced a sharp contraction in air traffic and prompted the member countries of Eurocontrol to grant deferrals to air carriers for payments due for flights in the period from February to May

2020. Other factors included: i) the payment of dividends in the amount of €113.2 million; ii) repayment of loans of €13.5 million; and iii) payment to the Italian Air Force of its share of terminal receipts in the amount of €14.7 million. These developments were partly offset by the proceeds of the disinvestment in financial instruments maturing in the last two months of the year in the amount of €24.9 million and liquidity from new borrowing in the total amount of €220 million.
Cash and cash equivalents are not restricted by encumbrances limiting their availability.

16. Shareholders' equity

Shareholders' equity at 31 December 2020 amounted to €1,073,908 thousand and breaks down as follows.

	31.12.2020	31.12.2019	CHANGE
Share capital	**541,744**	541,744	0
Legal reserve	**37,404**	31,810	5,594
Other reserves	**437,892**	438,706	(814)
IAS FTA reserve	**(3,045)**	(3,045)	0
Reserve for actuarial gains/(losses) for employee benefits	**(8,419)**	(8,037)	(382)
Cash flow hedge reserve	**1,913**	2,030	(117)
Reserve for treasury shares	**(3,200)**	(4,973)	1,773
Retained earnings/(loss carryforward)	**26,277**	33,056	(6,779)
Profit (loss) for the year	**43,342**	111,881	(68,539)
Total shareholders' equity	**1,073,908**	**1,143,172**	**(69,264)**

(thousands of euros)

On 21 May 2020, the Ordinary Shareholders' Meeting called, inter alia, to approve the financial statements at 31 December 2019 resolved to distribute to the shareholders a total dividend of €0.2094 a share, corresponding to a total of €113.2 million. Of this total, €106.3 million were funded by profit for the year after the allocation of 5% or €5.6 million to the legal reserve, while about €6.9 million were drawn from retained earnings.
Share capital consists of 541,744,385 ordinary shares with no par value, of which 53.28% are held by the Ministry for the Economy and Finance, 46.58% by institutional and individual shareholders and 0.14% by ENAV in the form of treasury shares. At 31 December 2020 all shares are subscribed and paid up and no preference shares have been issued.
The **legal reserve** represents the share of profits that under the provisions of Article 2430 of the Civil Code cannot be distributed as dividends. In 2020, in accordance with the resolution of the Shareholders' Meeting of 21 May 2020, at the time of approval of the 2019 financial statements, 5% of ENAV S.p.A.'s profit for the year was allocated to the legal reserve in an amount equal to €5,594 thousand.

Other reserves include €36.4 million in the reserve for capital grants received in 1996-2002, which is reported net of taxes that have been discharged and the reserve is available, as well as €400 million from the allocation of the voluntary reduction of share capital and €1.5 million for the reserve for the long-term incentive plan for the Company's management.
The **IAS FTA reserve** (first-time adoption) reflects differences in the values of assets and liabilities recognised at the time of initial adoption of international accounting standards.
The **reserve for actuarial gains/(losses) for employee benefits** includes the effects of the actuarial changes in employee severance benefits, net of the tax effect, which at 31 December 2020 registered a Group actuarial loss of €503 thousand.
The **cash flow hedge reserve** includes the impact of the measurement at fair value of hedging derivatives, which shows a net decrease of €117 thousand for the year.
The **treasury share reserve** reports the value of 772,103 treasury shares at an average price of €4.14 per share, the remainder of the 1,200,000 treasury shares registered at 31 December 2019 following the award of 427,897 shares to the beneficiaries of the first vesting period of the 2017-2019 Performance Plan.
Retained earnings/(loss carryforward) reflects results for previous years. The decrease of €6,779 thousand mainly reflects the portion distributed as a dividend.
Profit for the year amounted to €43,342 thousand.
The following table gives a breakdown of equity reserves with an indication of their availability for use, in compliance with the provisions of Article 2427 of the Civil Code and IAS 1.

	Amount	Possible uses
Capital reserves		
Other reserves	**433,158**	A, B, C
Earnings reserves		
Legal reserve	**37,404**	unavailable
IAS FTA reserve	**(3,045)**	unavailable
Reserve for actuarial gains/(losses) for employee benefits	**(8,419)**	unavailable
Cash flow hedge reserve	**1,913**	unavailable
Stock grant reserve	**1,534**	unavailable
Retained earnings	**26,277**	A, B, C
Total reserves	**488,822**	

A: capital increase; B: coverage of losses; C: distribution to shareholders. *(thousands of euros)*

CAPITAL MANAGEMENT

The capital management objectives of ENAV are creating value for stakeholders and supporting long-term development. In particular, ENAV seeks to maintain an adequate level of capitalisation that enables it to access external sources of financing while optimising borrowing costs and enabling it to adequately support the development of the Company's activities. In the year ended 31 December 2020, no changes were made to the capital management objectives, policies and procedures.

17. Provisions for risks and charges

Provisions for risks and charges amounted to €3,194 thousand, of which the portion classified in current liabilities totalled €2,291 thousand, and changed as follows during the year:

	31.12.2019	Increases	To profit or loss	Decreases	31.12.2020
Provisions for disputes with personnel	768	666	0	(51)	**1,383**
Provisions for other pending litigation	127	0	0	(77)	**50**
Other risk provisions	883	0	0	0	**883**
Provisions for other charges	0	878	0	0	**878**
Total provisions for risks and charges	**1,778**	**1,544**	**0**	**(128)**	**3,194**

(thousands of euros)

Provisions for disputes with personnel, which are classified entirely under current liabilities, increased by a net €615 thousand during the year as a result of new provisions for liabilities that could merge from labour disputes of various types. At 31 December 2020 the total value of legal claims relating to outstanding disputes for which Company legal counsel have deemed the risk of a loss to be possible is €0.8 million.

Provisions for other pending litigation, which are classified entirely under non-current liabilities, amounted to €20 thousand, a decrease of €77 thousand during the year, reflecting the closure of a dispute with a supplier. At 31 December 2020, the estimated charges related to outstanding disputes for which Company legal counsel have deemed the risk of a loss to be possible is €1.4 million.

Provisions for other charges report the amount that the Company has allocated to support the fight against COVID-19, which has yet to be determined definitively and is connected with the agreement reducing the MBO bonus to be paid to management and the Chief Executive Officer, who waived their entitlement.

18. Severance pay and other employee benefits

The provision for severance pay and other employee benefits amounted to €35,921 thousand, and is composed of the severance pay provision governed by Article 2120 of the Civil Code, which reports the estimated liability determined using actuarial techniques in respect of amounts payable to ENAV employees at the end of their employment relationship.
Developments in the liability for severance pay and other employee benefits break down as follows:

	31.12.2020	31.12.2019
Liabilities for employee benefits at the beginning of the year	**36,584**	35,475
Interest cost	**312**	354
Actuarial (gains)/losses on defined benefits	**503**	2,343
Advances, benefit payments and other variations	**(1,478)**	(1,588)
Liabilities for employee benefits at the end of the year	**35,921**	36,584

(thousands of euros)

The interest cost component of the provision, equal to €312 thousand, was recognised under financial expense.
The utilisation of €1,478 thousand of the severance pay provision reflected benefits paid out to personnel leaving during the year and advances disbursed to personnel who so requested
The difference between the expected value of provision at the end of observation period and the expected present value of benefits payable in the future, recalculated at period end on the basis of the updated assumptions, represents the actuarial gain (loss). In 2020 this calculation generated actuarial losses of €503 thousand, compared with the actuarial gain recognised the previous year.
The main actuarial assumptions used in the actuarial estimation of the severance pay provision at 31 December 2020 are summarised below, with comparative figures at 31 December 2019:

	31.12.2020	31.12.2019
Discount rate	**0.34%**	0.77%
Inflation rate	**0.80%**	1.20%
Rate of annual increase in severance pay	**2.100%**	2.400%
Expected turnover rate	**4.00%**	4.00%
Expected rate of advances	**2.50%**	2.50%

The discount rate used to calculate the present value of the obligation was determined, consistent with paragraph 83 of IAS 19, using the IBoxx Corporate AA Index with a duration of 10+observed at the measurement date and commensurate with the average length of future service of the personnel involved. The inflation rate used was

calculated on the basis of current economic developments, where the majority of economic indicators have been particularly volatile. The annual rate of increase in severance pay is equal to 75% of inflation plus 1.5 percentage points, in compliance with Article 2120 of the Italian Civil Code.
The technical and demographic assumptions used in the measurement are reported below.

	LIABILITIES FOR DEFINED BENEFIT FOR EMPLOYEES	
	31.12.2020	**31.12.2019**
Turnover rate + 1%	**35,893**	36,505
Turnover rate - 1%	**36,541**	37,113
Inflation rate + 0.25%	**36,740**	37,354
Inflation rate - 0.25%	**35,671**	36,243
Discount rate + 0.25%	**35,348**	35,909
Discount rate - 0.25%	**37,084**	37,710

(thousands of euros)

The average duration of the liability for defined benefit plans is 10.5 years.

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 reported under current financial liabilities inclusive of interest expense recognised on an accrual basis; ii) the bond issued on 4 August 2015, with interest expense accrued for at 31 December 2020 included under current liabilities; iii) financial derivatives; and iv) lease liabilities emerging from the application of the new IFRS 16.
The values at 31 December 2020 compared with those for the previous year and the associated changes are shown below:

	31.12.2020			31.12.2019			CHANGE		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Bank loans	**63,938**	**300,048**	**363,986**	13,639	143,713	157,352	50,299	156,335	206,634
Bond	**1,418**	**180,000**	**181,418**	1,418	180,000	181,418	0	0	0
Financial derivatives	**25**	**33**	**58**	0	0	0	25	33	58
Lease liabilities ex IFRS 16	**873**	**1,230**	**2,103**	783	1,828	2,611	90	(598)	(508)
Total	**66,254**	**481,311**	**547,565**	**15,840**	**325,541**	**341,381**	**50,414**	**155,770**	**206,184**

(thousands of euros)

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

	31.12.2020	Of which related parties	31.12.2019	Of which related parties
(A) Cash	**292,870**	225	429,914	535
(B) Other cash equivalents	**0**	0	0	0
(C) Trading securities	**0**	0	0	0
(D) Liquidity (A)+(B)+(C)	**292,870**	**225**	**429,914**	**535**
(E) Current financial receivables	**11,304**	**0**	**30,009**	**0**
(F) Current financial debt	**0**	0	0	0
(G) Current portion of non-current debt	**(65,356)**	0	(15,057)	0
(H) Other current financial debt	**(873)**	0	(783)	0
(I) Current financial debt (F)+(G)+(H)	**(66,229)**	**0**	**(15,840)**	**0**
(J) Net current financial debt/liquidity (D)+(E)+(I)	**237,945**	**225**	**444,083**	**535**
(K) Non-current bank loans	**(300,048)**	0	(143,713)	0
(L) Bonds issued	**(180,000)**	0	(180,000)	0
(M) Other non-current debt	**(1,230)**	0	(1,828)	0
(N) Non-current financial debt (K)+(L)+(M)	**(481,278)**	**0**	**(325,541)**	**0**
(O) CONSOB Net financial debt (J)+(N)	**(243,333)**	**225**	**118,542**	**535**
(P) Current and non-current derivative instruments	**(58)**	0	95	0
(Q) Non-current financial receivables	**0**	0	3,346	0
(R) ENAV net financial debt (O)+(P)	**(243,391)**	**225**	**121,983**	**535**

(thousands of euros)

Bank loans at 31 December 2020 registered a net increase of €206,634 thousand, reflecting the following developments and the effects associated with amortised cost measurement: i) three new loans totalling €220 million, including the 16-year credit line obtained from the European Investment Bank (EIB) in the amount of €70 million and the subscription of two ESG Sustainability Linked Term Loans totalling €150 million under two bilateral contracts of, respectively, of €100 million with Intesa Sanpaolo and €50 million with Mediobanca, with a term of three

years at an interest rate indexed to Euribor; and ii) the repayment of two half-year instalments of the loan from the EIB (with an initial value of €80 million) in the total amount of €5,333 thousand, with the final payment falling due on 12 December 2032 and the repayment of two half-year instalments of another loan from the EIB (with an initial value of €100 million) in the total amount of €8,207 thousand, with the final payment falling due on 19 December 2029.
The instalments of the above loans falling due in 2021 in line with the repayment plans are recognised under current liabilities in the total amount of €63,938 thousand, which includes the effect of amortised cost measurement.
At 31 December 2020, ENAV had unused committed and uncommitted short-term credit lines totalling €273 million.
The following table provides an analysis of the loans with the general conditions for each individual ENAV credit relationship with the lenders. With regard to advances from the Unicredit and Intesa San Paolo, note that the conditions applied are agreed on a case-by-case basis and reflect market developments.

Lender	Type	Amount granted	Amount used (nominal value)	Amount available	Carrying amount	Rate
BNL-Bnp Paribas	Acc. credit - overdraft	14,000	0	14,000	0	Euribor + spread
Unicredit	Export advances	15,000	0	15,000	0	Euribor + spread
Unicredit	Financial advances	44,000	0	44,000	0	Euribor + spread
Intesa San Paolo	Financial advances	50,000	0	50,000	0	Euribor + spread
BNL-Bnp Paribas	RCF	50,000	0	50,000	0	Euribor + spread
Unicredit	RCF	100,000	0	100,000	0	Euribor + spread
Total		**273,000**	**0**	**273,000**	**0**	

(thousands of euros)

The average interest rate on bank loans in the reference period was 1.35%, broadly in line with the rate for the previous year (1.70%).
On 4 August 2015, ENAV issued a bond with a nominal value of €180 million, which is listed on the Luxembourg Stock Exchange's regulated market and has a maturity of seven years, with full repayment at maturity (4 August 2022). The bond issue provides for the payment in arrears of an annual fixed-rate coupon of 1.93% of the nominal value. The interest accrued for the year amounted to €3,474 thousand, of which the portion not disbursed, equal to €1,418 thousand, was classified under current liabilities.
In relation to the disclosure required under IFRS 7, the fair value of the bond, understood as the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, was estimated at €187.5 million.
The Company estimated the fair value of the instrument on the basis of market data from a leading information provider, applying the Company's Mid-Z spread (an additional spread for the ENAV counterparty) to the zero curve.
With regard to other financing transactions, the fair value of bank loans at 31 December 2020 was an estimated €367.9 million. The estimate was made considering a risk-free yield curve, plus a spread equal to the BTP/Bund spread to incorporate the credit risk component.

Financial derivatives include the fair value of the financial instrument obtained by ENAV in order to hedge the exposure to unfavourable changes in the EUR/USD exchange rate. The financial instrument establishes a perfectly effective hedging relationship, accounted for with the cash flow hedge method. See note 34 for the information required by IFRS 7.
Lease liabilities under IFRS 16 include a total of €2,103 thousand in financial liabilities in respect of rights of use recognised in application of the new standard and consistent with contractual due dates. During 2020, that liability declined as a consequence of payments made.

20. Current and non-current trade payables

Trade payables amounted to €137,026 thousand, an increase of €7,686 thousand on the previous year, €4,114 thousand of which is attributable to the inclusion of IDS AirNav in the scope of consolidation in July 2019.

	31.12.2020	31.12.2019	CHANGE
Current trade payables			
Payables to suppliers	**88,925**	97,310	(8,385)
Payables for advances received for projects with EU financing	**2,788**	8,527	(5,739)
Payables for balances	**45,313**	23,503	21,810
Total	**137,026**	**129,340**	**7,686**
Non-current trade payables			
Payables for balances	**8,296**	49,242	(40,946)
Total	**8,296**	**49,242**	**(40,946)**

(thousands of euros)

Payables to suppliers of goods and services necessary for ENAV's operations show a net decrease of €8.4 million connected with a decrease in invoices received, offset by deferments of payments to suppliers.
Payables for advances received for projects with EU financing, amounting to €2,788 thousand, decreased by a net €5,739 thousand compared with 31 December 2019. The item includes: i) a reduction in pre-financing for the 2017 call of the Connecting Europe Facility (€3.8 million), which following the final accounting led to the recognition of the accrued portion in profit or loss, the reclassification to deferred income of the part allocated to investment projects and the recognition of receivables from others of the amounts to be received as interim payments from the European Commission; ii) the receipt of the second pre-financing for the 2016 call of the CEF in the amount of €0.5 million; and iii) collection of pre-financing under the SESAR 2020 Wave 2.

Payables for Eurocontrol balances amounted to €53,609 thousand, of which the part classified under current payables came to €45,313 thousand and corresponds to the amount that will be charged to profit or loss in 2021 in accordance with changes in unit rates. The overall decrease of €19.1 million in payables for balances at 31 December 2020 mainly reflects the net effect of the registration of new balances in 2020 in respect of balances for Eurocontrol costs of €4.3 million net of discounting and the reversal through profit or loss of the 2020 share, consistent with changes in rates, in the total amount of €24.3 million.

21. Other current and non-current liabilities

Other current and non-current liabilities showed an overall decrease of €7,247 thousand compared with the previous year, as a result of the changes in the items reported in the following table:

	31.12.2020			31.12.2019			CHANGE		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Payments on account	**38,414**	**0**	**38,414**	93,410	0	93,410	(54,996)	0	(54,996)
Other payables	**88,650**	**0**	**88,650**	35,936	1,027	36,963	52,714	(1,027)	51,687
Deferred income	**8,348**	**171,395**	**179,743**	8,158	175,523	183,681	190	(4,128)	(3,938)
Total	**135,412**	**171,395**	**306,807**	**137,504**	**176,550**	**314,054**	**(2,092)**	**(5,155)**	**(7,247)**

(thousands of euros)

Payments on account amounted to €38,414 thousand and include €31,171 thousand in respect of the debt to the Italian Air Force (IAF) for the portion of accrued revenues received in 2020 for en-route and terminal services and €7,243 thousand in respect of the debt to Italian Civil Aviation Authority (ENAC) for accrued revenues concerning the same services. The net decrease of €54,996 thousand for the year reflects the decrease in receipts in 2020 for en-route and terminal services as a result of the decline in air traffic control operations. During the year, the IAF was paid its accrued share for terminal services in the amount of €14.7 million and IAF payments on account for en-route services registered at 31 December 2019 were offset against the receivable due from the Ministry for the Economy and Finance (MEF), which produced a liability of €65.4 million, which was recognised under other payables.

Other payables amounted to €88,650 thousand, a net increase of €51,687 thousand compared with the previous year. On the one hand, this reflected the recognition of payables to the MEF in the amount of €65.4 million and, on the other, a reduction in payables to personnel due to a decrease in provisions accrued for the year and the decline in the liability for holiday entitlement accrued and not taken as a result of the use of holiday entitlement accrued in previous years and the use of much of that entitlement for 2020, totalling €14,262 thousand (€26,429 thousand at 31 December 2019).

Deferred income mainly refers to deferred income relating to investment projects that had received grant support, of which the current portion represents the amount that will be reversed to profit or loss in the next 12 months. In particular, the item includes: i) the Infrastructure and Networks NOP grants for the period 2000-2006, 2007-2013 and 2014-2020 concerning specific investments made in southern airports in the amount, net of amounts taken to profit of loss, of €79,194 thousand (€84,145 thousand at 31 December 2019); ii) capital grants for investments at military airports, in accordance with the provisions of Law 102/09, amounting to €57,286 thousand (€59,549 thousand at 31 December 2019); iii) grants linked to the investment projects funded through the 2014, 2015 and 2016 calls of the CEF programme in the amount of €38,778 thousand (€35,435 thousand at 31 December 2019), increasing as a result of the final accounting of the investment projects receiving 50% funding under the 2015 and 2017 calls of the CEF programme.

22. Tax and social security payables

Tax and social security payables amounted to €18,482 thousand and break down as follows:

	31.12.2020	**31.12.2019**	CHANGE
Tax payables	**6,711**	13,987	(7,276)
Social security payables	**11,771**	15,481	(3,710)
Total	**18,482**	**29,468**	**(10,986)**

(thousands of euros)

Tax payables decreased by €7,276 thousand, mainly attributable to corporate income tax (IRES), which in 2020 showed a creditor position, while in 2019 the liability amounted to €7,421 thousand.

Social security payables declined by €3,710 thousand, mainly reflecting the decrease in contributions on accrued personnel costs and the reduction in liabilities for contributions for holiday entitlement accrued but not used as a result of the decrease in the liability itself, amounting to €372 thousand (€3,102 thousand at 31 December 2019).

Notes to the income statement

23. Revenues from contracts with customers

Revenues from contracts with customers, represented by revenues from operating activities and the balance adjustment component, totalled €712,755 thousand, down €138,160 thousand compared with the previous year, mainly due to the effects of the COVID-19 pandemic, which caused a sharp contraction in services connected with the operations of the air transport sector in respect of Eurocontrol during the period, only partially offset by the recognition of the balance, which reflects the position adopted by the European Commission.
The following tables provide a breakdown of the individual items that make up the revenues from contracts with customers in addition to a breakdown of those revenues by nature and type of activity in accordance with the requirements of IFRS 15.

			CHANGE	
	2020	**2019**	**no.**	**%**
En-route revenues	**233,136**	689,386	(456,250)	-66.2%
Terminal revenues	**81,899**	231,067	(149,168)	-64.6%
En-route and terminal exemptions	**10,239**	12,113	(1,874)	-15.5%
Revenues from non-regulated market	**4,103**	5,324	(1,221)	-22.9%
Total revenues from operations	**329,377**	**937,890**	**(608,513)**	**-64.9%**
Balances	**383,378**	(86,975)	470,353	-541%
Total revenues from contract with customers	**712,755**	**850,915**	**(138,160)**	**-16.2%**

(thousands of euros)

EN-ROUTE REVENUES

En-route revenues amounted to €233,136 thousand, a decrease of 66.2% on 2019, reflecting a decrease in service units generated during 2020 as a result of the COVID-19 emergency, which led to the reduction and even closure of air routes at the EU and extra-EU levels, with the contraction in service units at the end of 2020 amounting to 61.0% (+6.6% 2019 over 2018). This effect was compounded by the 15.3% reduction in the en-route rate applied in 2020 (€66.02 in 2020 compared with €77.96 in 2019). The reduction net of balances amounted to 7.4%. Considering en-route revenues including the exempt flights component, which posted a decrease of €1,783 thousand as a result of the decline of 5.7% in service units during the year (-3.6% in 2019 over 2018), and the adjustment component for balances, which includes the portion recognised in the year including the effect of discounting, the portion recognised in previous years and included in rates in 2020 and, consequently, profit or loss for the same year, and the balance for changes in Eurocontrol costs, en-route revenues totalled €517,019 thousand, a decrease of €108,241 thousand, as shown below:

	2020	2019	CHANGE no.	CHANGE %
En-route revenues	**233,136**	689,386	(456,250)	-66.2%
En-route exemptions	**7,890**	9,673	(1,783)	-18.4%
Subtotal en-route revenues	**241,026**	699,059	(458,033)	-65.5%
En-route balances for the year	**295,025**	(20,007)	315,032	n.a.
Discounting of balances for the year	**(15,299)**	408	(15,707)	n.a.
Use of en-route balances n-2	**628**	(53,655)	54,283	-101.2%
Subtotal balances	**280,354**	(73,254)	353,608	n.a.
En-route revenues with balances	**521,380**	625,805	(104,425)	-16.7%
Balances delta Eurocontrol costs prev. year	**(4,361)**	(545)	(3,816)	n.a.
Total en-route revenues with balances	**517,019**	**625,260**	**(108,241)**	**-17.3%**

(thousands of euros)

The en route balance amounted to €295,025 thousand, a marked increase compared with 2019, and was determined on the basis of the proposal of the European Commission, which is still being negotiated among the Member States, which provides for a percentage reduction to be applied to actual determined costs for 2020, compared with actual revenues generated that year. This balance enables the partial recovery of the decrease in revenues caused by the COVID-19 pandemic, which reduced actual service units by 61.7% compared with their forecast level, while the reduction in actual revenues came to 65.5% compared with the previous year, which also reflect the reduction in the en-route charge applied during the year. Considering that the balance recognised in 2020 will be recovered over five years starting from 2023 in accordance with the provisions of the EU Regulation we discounted them over that period, producing an overall negative value of €15,299 thousand. In 2020, the negative balance of €4,361 thousand was recognised as an adjustment of Eurocontrol costs for 2019.
The use of the en-route n-2 balance accumulated in previous years and included in 2020 rates amounted to €628 thousand.

TERMINAL REVENUES

Terminal revenues amounted to €81,899 thousand, a decrease of 64.6% compared with the previous year, due to the decrease in service units posted by the individual airports in the different charging zones, with the COVID-19 pandemic causing the closure of certain airports for months in 2020. The reduction in service units came to 60.8% overall (+3.6% in 2019 over 2018), compounded by the reduction in unit rates applied in all three charging zones. In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted a decrease in assisted air traffic, expressed in service units, of 68.7% (+1.6% in 2019 over 2018), with the greatest reductions coming in international air traffic. This factor was compounded by a decrease of 12.25% in the terminal rate applied in 2020, which amounted to €167.33 compared with €190.69 in 2019.

Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio registered a decrease in assisted air traffic, expressed in service units, of 58.7% compared with 2019 (+4.3% in 2019 over 2018), which experienced strong performance in the first two months of the year (+3.3%), followed by the plunge in traffic as from March as a result of the COVID-19 emergency, which even led to temporary closure of the Milan Linate and Bergamo Orio al Serio airports. The terminal rate for 2020 is €167.56, a decrease of 15.19% on that applied in 2019 (€197.56).

Charging Zone 3, which comprises 40 medium- and low-traffic airports recorded a decrease in assisted air traffic, expressed in service units, of 58.2% (+4.0% in 2019 over 2018), with the growth in the first two months of 2020 (+2.8%) followed by a steep decline in the subsequent months due to the health emergency and the closure of a number of airports. The terminal rate in 2020 is €298.93, down 6.3% on the charge applied in 2019 (€318.98).

Considering terminal revenues including the exempt flights component, which decreased by €91 thousand in reflection of the reduction in unit rates as there was an increase of 10.6% in military flights in terms of service units in response to the health emergency (-9.7% in 2019 over 2018), and the adjustment component for balances, which includes the portion recognised in the year, including discounting effects, and the portion recognised in previous years and included in rates in 2020 and, consequently, profit or loss, terminal revenues totalled €191,633 thousand, down €28,698 thousand on 2019, as shown below:

			CHANGE	
	2020	**2019**	**no.**	**%**
Terminal revenues	**81,899**	231,067	(149,168)	-64.6%
Terminal exemptions	**2,349**	2,440	(91)	-3.7%
Subtotal	**84,248**	*233,507*	*(149,259)*	*-63.9%*
Terminal balances for the year	**105,480**	(10,104)	115,584	n.a.
Discounting of balances for the year	**(5,491)**	169	(5,660)	n.a.
Use of terminal balances n-2	**7,396**	(3,241)	10,637	n.a.
Subtotal	**107,385**	*(13,176)*	*120,561*	*n.a.*
Total terminal revenues with balances	**191,633**	**220,331**	**(28,698)**	**-13.0%**

(thousands of euros)

Terminal balances amounted to a positive €105,480 thousand, an increase of €115,584 thousand compared with 2019. This was determined in compliance with the proposal of the European Commission for en-route rates with regard to the first two charging zones. The impact on air traffic of the COVID-19 health emergency led to a significant reduction in air traffic, producing a reduction in terminal traffic in 2020 of 60.2% in terms of service units and 63.9% in terms of revenues compared with 2019. Set against the cost efficiency gains required at the European level, this generated the following balances, broken down by charging zone: i) Charging Zone 1 generated a balance of €17.5 million; ii) Charging Zone 2, a balance of €23.8 million; and iii) Charging Zone 3, a balance of €64.2 million. These balances have been discounted in consideration of the fact that they will be recovered over five years starting from 2023, resulting in a negative €5,491 thousand. Use of the terminal balance registered in previous years and included in the 2020 charge amounted to €7,396 thousand.

Revenues from the non-regulated market amounted to €4,103 thousand, a decrease of 22.9% compared with the previous year, mainly due to the completion of certain projects carried out on the foreign market connected with radio-assistance services and the disappearance of revenues from training activities for foreign customers owing to the restrictions imposed in response to the COVID-19 emergency. These decreases were partially offset by the aeronautical consulting activities and the new 5-year agreement signed with the French air navigation service provider (DSNA) for the joint supply of the Technical Integration Service of the Coflight Cloud Services programme to the Swiss service provider Skyguide with effect from the second half of 2020.
The following table provides a breakdown of non-regulated market revenues by type of activity.

			CHANGE	
	2020	**2019**	**no.**	**%**
Revenues from non-regulated market				
Flight inspection	**1,218**	2,312	(1,094)	-47.3%
Aeronautical consulting	**475**	752	(277)	-36.8%
Technical and engineering services	**896**	790	106	13.4%
Training	**2**	332	(330)	-99.4%
Other revenues	**1,512**	1,138	374	32.9%
Total revenues from non-regulated market	**4,103**	**5,324**	**(1,221)**	**-22.9%**

(thousands of euros)

24. Other operating income

Other operating income amounted to €48,918 thousand, broadly unchanged on the previous year. It breaks down as follows:

	2020	2019	CHANGE no.	CHANGE %
Capital grants	**9,569**	9,023	546	6.1%
Operating grants	**30,721**	30,288	433	1.4%
European funding	**2,969**	4,193	(1,224)	-29.2%
Other revenues and income	**5,659**	5,357	302	5.6%
Total	**48,918**	**48,861**	**57**	**0.1%**

(thousands of euros)

Other operating income includes the portion of **capital grants** recognised in profit or loss commensurate with the depreciation rates on the assets to which the grants refer, posting an increase due to the entry of the financed assets into service in 2020.

Operating grants totalling €30,721 thousand and include €30 million in respect of the amount paid to the Parent Company under Article 11-*septies* of Law 248/05 to offset the costs incurred to guarantee the safety of its plant and operational safety and €721 thousand in respect of other grants, most of which is connected with courses for operating personnel for which external funding was received.

European funding decreased by 29.2% as a result of a decline in the number of completed projects for which final accounts were submitted in 2020 compared with the previous year. They mainly regarded the Connecting European Facility (CEF) for 2015 and 2017, Diode and SESAR 2020.

Other revenues amounted to €5,659 thousand, an increase of 5.6% compared with 2019, mainly reflecting intercompany service contracts formalised during 2020, which provide for ENAV to perform certain activities for its subsidiaries on a centralised basis, notably for IDS AirNav and Techno Sky.

The following table provides a breakdown of revenues for 2020 and 2019 by geographical area:

Revenues	2020	% of revenues	2019	% of revenues
Italy	**759,549**	99.7%	896,457	99.6%
EU	**1,743**	0.2%	2,038	0.2%
Non-EU	**381**	0.1%	1,281	0.1%
Total revenues	**761,673**		**899,776**	

(thousands of euros)

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

Costs for goods, services, leases and rentals and other operating expenses totalled €178,358 thousand, a decrease of €10,451 thousand on the previous year, reflecting a general decline in the various cost categories, as indicated below.

			CHANGE	
	2020	**2019**	**no.**	**%**
Costs for the purchase of goods	**4,121**	4,887	(766)	-15.7%
Costs for services:				
Maintenance costs	**87,294**	86,805	489	0.6%
Costs for Eurocontrol fees	**33,043**	37,150	(4,107)	-11.1%
Costs for utilities and telecommunications	**24,750**	28,768	(4,018)	-14.0%
Costs for insurance	**2,776**	2,548	228	8.9%
Cleaning and security	**4,844**	4,295	549	12.8%
Other personnel-related costs	**4,741**	7,435	(2,694)	-36.2%
Professional services	**5,681**	6,272	(591)	-9.4%
Other costs for services	**6,107**	7,290	(1,183)	-16.2%
Total costs for services	**169,236**	**180,563**	**(11,327)**	**-6.3%**
Costs for leases and rentals	**1,056**	1,078	(22)	-2.0%
Other operating expenses	**3,945**	2,281	1,664	73.0%
Total costs for services	**178,358**	**188,809**	**(10,451)**	**-5.5%**

(thousands of euros)

Costs for the purchase of goods include costs incurred to purchase spare parts for plant and equipment used for air traffic control and the related change in inventories, which decreased in 2020 as a result of a decline in purchases of equipment and the use of spare parts, partly offset by an increase in costs for the purchase of for COVID-19 personal protective equipment.

Costs for services registered an overall net decrease of €11,327 thousand compared with the previous year, reflecting in particular the following developments: a reduction in costs for Eurocontrol contributions following implementation of the cost containment measures adopted by the agency in the second half of 2020; ii) a reduction of 14% in costs for telecommunications for data connections of the E-NET network as a result of the decommissioning of older circuits and the lower costs associated with the new contract as well as a decrease in electricity consumption across the entire country. The previous year, the item had benefitted from the cancellation of debtor positions and the settlement of a dispute with a supplier, with an overall positive effect of €1.5 million;

iii) a reduction in personnel costs owing to the elimination of travel costs, as business trips were suspended in response to the COVID-19 emergency. These reductions were partially offset by higher cleaning costs associated with extraordinary sanitisation efforts at all sites since the beginning of the health emergency and an increase in insurance coverage.

Other operating expenses amounted to €3,945 thousand, an increase of €1,664 thousand on 2019, mainly reflecting donations to the Lazzaro Spallanzani National Institute for Infectious Diseases and the Civil Protection Department in the fight against COVID-19 and the recognition of another €878 thousand to be used to support the fight against COVID-19. In 2019, the item reflected the favourable impact of the cancellation of debtor positions no longer due in the amount of about €1 million.

26. Personnel costs

Personnel costs totalled €401,380 thousand, a net decrease of 6.8%, compared with the previous year, as indicated below.

			CHANGE	
	2020	**2019**	**no.**	**%**
Wages and salaries, of which:				
Fixed remuneration	**246,771**	241,438	5,333	2.2%
Variable remuneration	**35,591**	65,522	(29,931)	-45.7%
Total wages and salaries	**282,362**	306,960	(24,598)	-8.0%
Social security contributions	**91,862**	98,474	(6,612)	-6.7%
Employee severance pay	**19,852**	19,739	113	0.6%
Other costs	**7,304**	5,566	1,738	31.2%
Total personnel costs	**401,380**	**430,739**	**(29,359)**	**-6.8%**

(thousands of euros)

Fixed remuneration increased by €5,333 thousand as a result of the transfer of 69 former Techno Sky employees to ENAV as from the first quarter of 2020 and the effects of contractually agreed increases in March and December 2019, which therefore impacted 2020 for the entire year, as well as the increase in leave under Law 104/92 as provided for in the Cure Italy Decree (Decree Law 18/2020). The average workforce expanded by 54 employees over 2019, while effective workforce rose by 13 employees and at the end of 2020 numbered 3,330.

Variable remuneration decreased by 45.7% due to: i) a decrease in overtime for air traffic controllers associated with the decline in air traffic connected with the health emergency as well as a decrease in overtime for non-operational personnel; ii) an increase in the use of holiday entitlement, reflecting the complete elimination of the backlog of unused holiday time from previous years and considerable recourse to holiday entitlement accruing in 2020, with a positive impact of €8.7 million on profit or loss; and iii) a reduction in costs for the performance bo-

nuses of executives, who reduced their MBO bonuses by 50%, and a decline in bonuses for employees as a result of the decline in assisted air traffic in 2020.
Social security contributions decreased by 6.7%, as a consequence of the decline in remuneration as a result of the effects noted above, while other personnel costs increased by 31.2%, mainly due to an increase in retirement incentive granted to outgoing personnel, which involved 30 employees compared with 15 in 2019, and an increase in costs for health insurance coverage for employees.
The following table provides a breakdown of Group's workforce by category and professional position:

	2020	2019	CHANGE
Executives	47	42	5
Middle managers	353	352	1
Office staff	2,930	2,923	7
Workforce at period end	**3,330**	**3,317**	**13**
Average workforce	**3,383**	**3,329**	**54**

	2020	2019	CHANGE
Management and coordination	400	394	6
Air traffic controllers	1,680	1,701	(21)
Flight assistance experts	426	428	(2)
Meteorological services	29	29	0
Flight inspection	22	22	0
Administration	481	452	29
Technical	207	203	4
IT	85	88	(3)
Workforce	**3,330**	**3,317**	**13**

27. Capitalised costs

Capitalised costs amounted to €9,721 thousand (€7,783 thousand in 2019) and are entirely accounted for by the capitalisation of the cost of employees working on investment projects under way. The increase for the year is associated with an increase in personnel employed in investment projects in the Technology unit.

28. Financial income and expense

Financial income and expense show net income of €7,431 thousand (net income of €6,376 thousand in 2019), reflecting financial income of €15,028 thousand, financial expense of €7,146 thousand and foreign exchange losses of €451 thousand.

The following table provides a breakdown of financial income:

	2020	2019	CHANGE no.	CHANGE %
Income from investments in other entities	**13,610**	11,185	2,425	21.7%
Financial income from discounting of non-current receivables	**73**	195	(122)	-62.6%
Financial income from current and non-current assets	**142**	174	(32)	-18.4%
Financial income from discounting of balances	**0**	170	(170)	-100.0%
Interest income on financial receivables from subsidiaries	**204**	122	82	67.2%
Other interest income	**999**	1,027	(28)	-2.7%
Total financial income	**15,028**	**12,873**	**2,155**	**16.7%**

(thousands of euros)

The increase of €2,155 thousand in **financial income** mainly reflects the increase in the dividend approved by the shareholders' meeting of Techno Sky held on 17 April 2020 to approve the 2019 financial statements for a total of €13,194 thousand.

Financial expense amounted to €7,146 thousand, an increase of €545 thousand on the previous year, reflecting an increase in financial expense associated with the discounting of balances and interest expense on the payment extensions granted on current taxes.

The following table provides a breakdown of financial expense.

	2020	2019	CHANGE no.	CHANGE %
Interest expense on bank loans	**2,477**	2,406	71	3.0%
Interest expense on bonds	**3,474**	3,474	0	0.0%
Interest expense on employee benefits	**312**	354	(42)	-11.9%
Interest expense on lease liabilities	**38**	55	(17)	-30.9%
Financial expense on derivatives at fair value	**0**	10	(10)	-100.0%
Financial expense on discounting of receivables	**684**	293	391	133.4%
Other interest expense	**161**	9	152	n.a.
Total financial expense	**7,146**	**6,601**	**545**	**8.3%**

(thousands of euros)

29. Income taxes

Income taxes totalled €8,710 thousand, a decrease of €32,647 thousand on the previous year, mainly due to the decline in taxable income and the recognition of deferred tax assets connected with the discounting of receivables for balances. The following table provides a breakdown of taxes for the year:

			CHANGE	
	2020	**2019**	**no.**	**%**
IRES (corporate income tax)	**10,998**	34,069	(23,071)	-67.7%
IRAP (regional business tax)	**3,680**	7,092	(3,412)	-48.1%
Total current taxes	**14,678**	41,161	(26,483)	-64.3%
Deferred tax assets	**(5,916)**	(30)	(5,886)	n.a.
Deferred tax liabilities	**(52)**	226	(278)	n.a.
Total current tax and deferred tax assets and liabilities	**8,710**	**41,357**	**(32,647)**	**-78.9%**

(thousands of euros)

For more details on the recognition of deferred tax assets and liabilities, please see Note 8.
The IRES tax rate for 2020 was equal to 20.8%, lower than the theoretical rate of 24% as it benefits from the partial tax exemption of the dividend.
The IRAP tax rate for 2019 was 6.95% , greater than the theoretical rate of 4.78% due to the fact that the amount connected with the discounting of balances was not taxable for IRAP purposes.

	2020		2019	
	IRES	**%**	**IRES**	**%**
Income before taxes	**52,931**		153,238	
Theoretical tax	**12,703**	**24.0%**	36,777	24%
Effect of increases/(decreases) compared with ordinary taxation				
Non-deductible prior-year costs	**52**	**0.1%**	12	0.0%
IRES deduction of IRAP paid on personnel costs	**(97)**	**-0.2%**	(183)	-0.1%
Other	**(2,340)**	**-4.4%**	(2,177)	-1.4%
Temporary differences for taxed provisions	**680**	**1.3%**	(360)	-0.2%
Actual IRES	**10,998**	**20.8%**	**34,069**	**22.2%**

(thousands of euros)

	2020		2019	
	IRAP	**%**	**IRAP**	**%**
Income before taxes	**52,931**		153,238	
Theoretical tax	**2,530**	**4.78%**	7,325	4.78%
Effect of increases/(decreases) compared with ordinary taxation				
Other	**1,505**	**2.84%**	139	0.09%
Temporary differences for taxed provisions	**0**	**0%**	(67)	-0.04%
Financial income and expense	**(355)**	**-0.67%**	(305)	-0.20%
Actual IRAP	**3,680**	**6.95%**	**7,092**	**4.63%**

(thousands of euros)

Other information

30. Related parties

ENAV related parties were identified in accordance with the provisions of IAS 24 Related-party disclosures and are involved in transactions carried out in the interest of the Company, are part of ordinary operations and are settled on market terms and conditions unless otherwise indicated. On 12 December 2018, the Board of Directors of ENAV, having obtained a favourable opinion of the Control, Risks and Related Parties Committee, approved the "Procedure governing related-party transactions" carried out by the Company directly and/or through its subsidiaries, in conformity with Article 2391-bis of the Civil Code and in compliance with the principles dictated by the "Regulation containing provisions on related-party transactions" approved with Consob Resolution no. 17221 of 12 March 2010 as amended.
The procedure, which is available on the website www.enav.it, sets out the criteria for identifying related parties, for distinguishing transactions of greater and lesser importance, for the procedural framework applicable to such transactions, as well as any mandatory notifications to be submitted to the competent bodies.
The following below report the balances of the income statement and statement of financial position resulting from Company transactions with related entities, including those with directors, statutory auditors and key management personnel for 2020 and 2019, respectively.

BALANCE AT 31.12.2020

Name	Trade receivables and other current and non-current assets	Current and non-current financial assets	Cash and cash equivalents	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for leases and rentals	Financial income
Direct subsidiaries								
Techno Sky S.r.l	29,148	0	0	70,341	2,242	72,213	0	13,194
IDS AirNav S.r.l.	1,440	8,168	0	1,555	1,343	1,615	0	126
ENAV Asia Pacific Sdn Bhd	78	0	0	0	430	0	0	0
ENAV North Atlantic LLC	0	3,136	0	0	0	0	0	78
D-Flight S.p.A.	570	0	0	0	704	0	0	0
Sicta Consortium in liquidation	0	0	0	0	0	0	0	0
External related parties								
Ministry for the Economy and Finance	10,243	0	225	91,866	10,239	0	0	0
Ministry of Sustainable Infrastructure and Mobility	72,991	0	0	0	34,776	0	0	0
Enel Group	0	0	0	698	0	5,987	0	0
Leonardo Group	69	0	0	14,834	3	683	0	0
Other external related parties	0	0	0	53	94	162	24	0
Balance in financial statements	**211,886**	**11,304**	**292,870**	**272,437**	**761,674**	**173,357**	**1,056**	**15,028**
as % of balance in financial statements	**54.1%**	**100.0%**	**0.1%**	**65.8%**	**6.5%**	**46.5%**	**2.3%**	**89.2%**

(thousands of euros)

BALANCE AT 31.12.2019

Name	Trade receivables and other current and non-current assets	Current and non-current financial assets	Cash and cash equivalents	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for leases and rentals	Financial income
Direct subsidiaries								
Techno Sky S.r.l	36,940	0	0	67,169	1,886	73,608	1	10,769
IDS AirNav S.r.l.	85	5,042	0	1,462	71	0	0	42
ENAV Asia Pacific Sdn Bhd	183	0	0	0	652	0	0	0
ENAV North Atlantic LLC	0	3,346	0	0	0	0	0	79
D-Flight S.p.A.	243	0	0	0	381	0	0	0
Sicta Consortium in liquidation	1	0	0	0	0	0	0	0
External related parties								
Ministry for the Economy and Finance	12,115	0	535	77,515	12,113	0	0	0
Ministry of Sustainable Infrastructure and Mobility	79,321	0	0	0	35,174	0	0	0
Enel Group	0	0	0	585	0	5,908	0	0
Leonardo Group	76	0	0	16,773	90	528	0	0
Other external related parties	0	0	0	63	90	162	22	0
Balance in financial statements	**299,671**	**33,450**	**429,914**	**335,475**	**899,776**	**185,449**	**1,078**	**12,873**
as % of balance in financial statements	**43.1%**	**25.1%**	**0.1%**	**48.8%**	**5.6%**	**43.2%**	**2.1%**	**84.6%**

(thousands of euros)

The nature of the main transactions with internal related entities, namely the subsidiaries of ENAV, and external related entities, namely the Ministry for the Economy and Finance (MEF) and the Ministry of Infrastructure and Sustainable Mobility (formerly the Ministry of Infrastructure and Transport - MIT) as well as entities subject to the control of the MEF is discussed below and detailed in the comments on the individual items of the financial statements in the notes to the financial statements:

- transactions with the subsidiary Techno Sky essentially involve the provision by the latter of services connected with the maintenance of flight assistance equipment, the maintenance of AVL equipment, as well as all maintenance activities connected with civil infrastructure not related to operational functions. Revenues from intercompany services provided on a centralised basis by ENAV are recognised under revenues in the income statement;
- transactions with IDS AirNav concern both the services that the subsidiary provides to ENAV and the centralised services performed by ENAV under the intercompany service contract between the parties in addition to the loan granted by the Parent Company;

- transactions with the subsidiary Enav Asia Pacific mainly concern the pass-through of costs for seconded personnel and the pass-through of costs for activities performed by ENAV personnel for the subsidiary under a service contract;
- transactions with Enav North Atlantic refer to the loan granted in 2017 to allow the subsidiary to meet the deadlines associated with the investment in Aireon LLC. This loan, amounting to $3.5 million, falls due 31 December 2021 and bears an interest rate of 2%;
- transactions with D-Flight concern the intercompany services provided centrally by ENAV and the remuneration of the members of the boards of director, which is passed through to the Parent Company;
- transactions with the MEF mainly involve receivables and revenue streams connected with the refund of charges for services provided by the Company for exempt flights and charged to the MEF in accordance with European and Italian law, and payables for the amounts collected by the Company 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 regard a bank account opened by the Company with the Bank of Italy;
- transactions with the Ministry of Infrastructure and Sustainable Mobility regard receivable and revenue relationships associated with both an operating grant intended to cover the costs incurred by the Company to ensure the safety of systems and operations pursuant to Article 11-*septies* of Law 248/05, and capital grants as part of the Networks and Mobility NOP on the basis of agreements between the parties registered with the Court of Auditors. Those grants are charged to profit or loss in an amount commensurate with the amortisation of the investments to which they refer;
- transactions with the Leonardo Group mainly regard activities connected with ENAV investments, maintenance and the acquisition of spare parts for systems and equipment for air traffic control;
- transactions with the Enel Group regard agreements for the supply of electricity for a number of sites;
- transactions with other related parties contain residual positions.

Key management personnel comprise the ENAV CEO and four executives holding senior positions in the Company, appointed by the Board of Directors acting on a recommendation of the CEO, namely the Chief Financial Officer, the Chief Human Resources and Corporate Services Officer, the Chief Operating Officer and the Chief Technology Officer. The remuneration of ENAV's key management personnel, gross of pension and social security costs and contributions, is reported in the following table:

	2020	**2019**
Short/medium-term remuneration	**1,862**	2,006
Other long-term benefits	**0**	0
Share-based payments	**1,083**	575
Total	**2,945**	**2,581**

(thousands of euros)

The remuneration of the ENAV's Board of Auditors for 2020 amounted to €97 thousand (€93 thousand in 2019), in compliance with the resolution of the Shareholders' Meeting of 26 April 2019 appointing the members of the Board of Auditors for 2019-2021.
For more details, please see the Remuneration Report prepared pursuant to Article 123 ter of the Consolidate Law.
In application of the national collective bargaining agreement, ENAV participates in the Prevaer Fund, which is the

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

31. Long-term share-based 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 its subsidiaries" for 2017-2019 and on 11 December 2017 the Board of Directors approved the Plan Rules, which govern the operation of the Plan, marking the start of the Plan's first vesting cycle. The start of the second vesting cycle for 2018-2020 was approved by the Board of Directors on 13 November 2018. The start of the third vesting cycle for the 2019-2021 period was approved by the Board of Directors on 15 May 2019.
Given the expiry of the vesting cycles of the first incentive plan, on 21 May 2020 the Shareholders' Meeting approved a long-term share-based incentive plan for 2020-2022 and on 22 December 2020 the Board of Directors approved the Plan Rules and the first vesting cycle for 2020-2022 began.
The Plan is structured into three cycles, each lasting three years, and provides for the free grant to the beneficiaries of rights to receive a variable number of ENAV S.p.A. ordinary shares subject to achieving specific performance targets for each cycle. The target aggregates are cumulative EBIT, total shareholder return (TSR) and cumulative free cash flow, as well as – for the second long-term incentive plan – a sustainability indicator represented by obtaining certification of ENAV as carbon neutral by 31 December 2022.
The Plan envisages a three-year vesting period for all beneficiaries between the time of the grant and the vesting of the entitlement of the beneficiaries to receive the shares. The incentive plan also includes a lock-up period for a portion of any shares delivered to the beneficiaries, i.e. the Chief Executive Officer, key management personnel and any other specified managers.
The performance targets are composed of the following indicators:

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

With regard to the measurement of the long-term share-based incentive plan pursuant to the provisions of IFRS 2, the calculation method used for the market-based component is the Monte Carlo method, which, on the basis of appropriate assumptions, made it possible to define a large number of alternative scenarios over the time horizon considered. By contrast, the non-market-based component is not significant for the purpose of estimating the fair value at the time of the grant, but it must be updated at every reporting date to take account of the expectations for the number of rights that may vest based on the performance of EBIT and free cash flow compared with the Plan targets.
At 31 December 2020, the overall fair value of the first and second vesting cycles was to €1.1 million and takes account of the adjustment for the first vesting cycle (2017-2019), which underwent final determination of the performance achieved and award of the incentive in 2020. The details for each vesting cycle are provided below.

FIRST VESTING CYCLE 2017-2019

The first cycle was completed with the approval of the financial statements for 2019. In accordance with the Rules, 427,897 shares were awarded to the plan beneficiaries in accordance with the determination of the performance achieved in the amount of €1.8 million.

SECOND VESTING CYCLE 2018-2020

The target was also assumed to have been reached for the second vesting cycle of the Plan, with 242,434 shares and a total fair value of €0.9 million. The second cycle envisaged 10 beneficiaries and the cost recognised for 2020 was equal to €0.2 million, while the liability, recognised in a specific equity reserve, amounted to €0.8 million.
Following registration of the results of the 2018-2020 vesting cycle, the level of performance achieved will be determined in order to quantify the shares to be awarded.

THIRD VESTING CYCLE 2019-2021

The target was also assumed to have been reached for the third cycle of the plan, with 176,545 shares and a total fair value of €0.8 million. The third cycle envisaged 8 beneficiaries and the cost recognised for 2020 was equal to €0.2 million, while the liability, recognised in a specific equity reserve, amounted to €0.5 million.

FIRST VESTING CYCLE 2020–2022

The first vesting cycle for 2020-2022 envisaged 9 beneficiaries and assumed achievement of the target with 300,403 shares and a fair value of €0.8 million. The cost recognised for 2020 was equal to €0.3 million, with a liability of the same amount recognised in a specific equity reserve.

32. Derivatives

During April 2019, ENAV entered into five derivative contracts, two of which exercised, with the aim of hedging exposure to unfavourable developments in the euro/dollar exchange rate deriving from the Data Services Agreement signed with Aireon LLC for the acquisition of satellite surveillance data. This contract provides for the payment in dollars of service fees on an annual basis until 2023. The exchange risk was managed through forward currency purchases whose residual notional value at the reporting date was $3.6 million.
The fair value of derivatives was a negative €58 thousand at 31 December 2020. In accordance with IFRS 13, the mark-to-market value was adjusted to also take account of the effect of non–performance risk (CVA), i.e. the risk that one of the parties will not meet its contractual commitments as the result of a possible default. From an accounting perspective, the positive or negative fair value was recognised in current/non-current financial assets/liabilities based on the contractual maturity, with a matching entry in an equity reserve.

Indeed, pursuant to IFRS 13, the fair value of a derivative must incorporate the risk that one or both counterparties may not meet their obligations (credit risk adjustment). More specifically, from the financial perspective, the Credit Valuation Adjustment (CVA) is the expected value of the loss deriving from the default of the counterparty, if the derivative has a positive fair value. Conversely, a Debit Valuation Adjustment (DVA) represents the value of the expected loss on the default of the Company if the fair value is negative.
The contractual characteristics and the relative fair value at 31 December 2020, as indicated in bank communications, are listed below:

Counterparty	Transaction type	Inception date	Expiration date	Notional (thousands of USD)	Forward exchange rate	Forward value (thousands of euros)	MtM Bank (thousands of euros)
BNL - BNP Paribas	Buy USD (Fwd)	02/04/19	15/01/21	810	1.1776	688	(24.6)
BNL - BNP Paribas	Buy USD (Fwd)	02/04/19	14/01/22	1,392	1.2063	1,154	(23.7)
BNL - BNP Paribas	Buy USD (Fwd)	02/04/19	13/01/23	1,392	1.2340	1,128	(7.3)
Total				**3,594**		**2,970**	**(55.6)**

The fair value at the end of 2020 is reported in the following table, adjusted to take account of the Credit Valuation Adjustment:

Counterparty	Transaction type	Notional (thousands of USD)	Forward value (thousands of euros)	MtM	Credit Valuation Adjustment (CVA)	MtM CVA (thousands of euros)
BNL - BNP Paribas	Buy USD (Fwd)	810	688	(25.5)	0.3	(25.2)
BNL - BNP Paribas	Buy USD (Fwd)	1,392	1,154	(25.1)	0.5	(24.6)
BNL - BNP Paribas	Buy USD (Fwd)	1,392	1,128	(8.9)	0.3	(8.6)
Total		**3,594**	**2,970**	**(59.5)**	**1.1**	**(58.4)**

It was not possible to identify an active market for these instruments. The fair value was therefore calculated using a method consistent with level 2 of the fair value hierarchy defined by IFRS 7 and IFRS 13. Although quotes on an active market are not available for the instruments (level 1), it was possible to find data observable directly or indirectly on the market on which the measurements could be based.
Due to the substantive features of the derivatives, they are classified as hedging instruments. The information required under the IFRS on the instruments is given below:

MATURITY ANALYSIS

Expiry	BNL exchange rate derivative (euro/000)
Up to 1 month	(25.2)
Between 1 and 3 months	0.0
Between 3 and 6 months	0.0
Between 6 and 12 months	0.0
Between 1 and 2 years	(24.6)
Between 2 and 3 years	(8.6)
Between 3 and 5 years	0.0
Between 5 and 10 years	0.0
More than 10 years	0.0
Total	**(58.4)**

SENSITIVITY ANALYSIS

Transaction type	Fair value (euro/000)	Delta equity Eur/FX +5% (euro/000)	Delta equity Eur/FX -5% (euro/000)
Forward purchase (BNL)	**(58)**	**107**	**(182)**

33. Assets and liabilities by maturity

	Within following year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0		0	-
Deferred tax assets	0	15,718	0	15,718
Non-current tax receivables	0	23,216	0	23,216
Non-current trade receivables	0	226,836	159,135	385,971
Other non-current receivables	0	7,752	0	7,752
Total	**0**	**273,522**	**159,135**	**432,657**
Financial liabilities	66,254	354,067	127,244	547,565
Deferred tax liabilities	0	2,846	0	2,846
Other non-current liabilities	0	36,708	134,687	171,395
Non-current trade payables	0	8,296	0	8,296
Total	**66,254**	**401,917**	**261,931**	**730,102**

(thousands of euros)

Non-current trade receivables falling due after the 5th year refer to the portion of balances will be recovered through adjustments to unit rates as from 2026.
Financial liabilities falling due after the 5th year refer to the bank loans commented on in detail in Note 36.
Other non-current liabilities maturing in more than 5 years refer to the share of capital grants recognised in line with the depreciation of the investment projects to which they refer.

34. Guarantees and commitments

Guarantees regard sureties granted to third parties in the amount of €3,609 thousand (€4,807 thousand at 31 December 2019), a decrease of €1,198 thousand attributable mainly to the release of sureties issued in previous years for participation in international tenders, such as those in Dubai (€545 thousand), the United Arab Emirates (€316 thousand) and Kenya (€215 thousand). The decrease was partly offset by the surety granted in favour of the General Authority of Civil Aviation of Saudi Arabia (€516 thousand) for participation in a tender for the modernisation of the Saudi airspace system.
In addition, during the year the surety securing the lease of Via Salaria 713 was released (€584 thousand), partly offset by the surety granted for the lease of Via Boccanelli (€300 thousand) and exchange rate adjustments on guarantees issued in foreign currency.

35. Transparency in the system of government grants

Article 1, paragraphs 125 to 129, of Law 124/2017, the Annual Market and Competition Act, introduced a number of measures to ensure transparency in the system of government grants. These provisions were subsequently supplemented by Decree Law 113/2018 (the “Security Decree”) and the Decree Law 135/2018 (the “Simplification Act”). Among the parties required to comply with these publicity and transparency obligations are companies that maintain economic relationships with government entities even if they are listed on regulated markets. In order to settle certain interpretation issues, also following the issue of a circular of the Ministry of Labour and Social Policies, on 22 February 2019 Assonime issued circular no. 5 “Transparency in the system of government grants: analysis of the regulations and interpretative guidelines”.

The following table provides information on the government grants received in 2020 by ENAV:

Grantor	Date of receipt	Amount	Description
Ministry of Sustainable Infrastructure and Mobility	06/11/2020	30,000	Operating grant to offset costs incurred by Parent Company to ensure safety of its plant and operating safety pursuant to Article 11-septies of Law 248/05
Ministry of Sustainable Infrastructure and Mobility	17/02/2020	2,615	Infrastructure and Networks NOP 2014-2020
Ministry of Sustainable Infrastructure and Mobility	05/08/2020	196	2007-2013 ACP Safeguard Programmes
Ministry of Sustainable Infrastructure and Mobility	11/11/2020	3,454	2007-2013 ACP Safeguard Programmes
Total Ministry of Sustainable Infrastructure and Mobility		36,265	
Total		36,265	

(thousands of euros)

36. Management of financial risks

In conducting its business, the Company is exposed to various financial risks such as market risks (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The management of these risks is based on the oversight of specific internal committees, composed of the Company's top management, which are entrusted with providing strategic guidance and overseeing risk management and the policies that define the roles and responsibilities for the management processes, the structure of limits, the model of relationships and hedging and mitigation instruments.

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 Eurocontrol. In this context, the measurement of the credit risk in respect of Eurocontrol is directly correlated with the risk associated with the airline industry. More specifically, Eurocontrol does not assume any credit risk with regard to the possible insolvency of carriers and it only settles its liabilities with the ENAV after it has collected the respective sums from the carriers. Eurocontrol will, however, take action to recover the receivables, initiating legal proceedings where necessary.

A provision for doubtful accounts is recorded in the financial statements against the risk of default by the Company's debtors in accordance with IFRS 9.

LIQUIDITY RISK

Liquidity risk is the risk that ENAV, despite being solvent, might be unable to promptly meet 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 on unfavourable financial terms due to factors related to the perception of its risk by the market or during systemic crises such as, but not limited to, credit crunches and sovereign debt crises, or because it fails to comply with the covenants envisaged in certain loan agreements and the bond issue.
At 31 December 2020, ENAV had €292.9 million in available cash and €273 million in unused short-term lines of credit. These include: i) €123 million in uncommitted lines of credit subject to revocation, which do not require compliance with either covenants or other contractual commitments. Of that total, €14 million are held in current account overdrafts, €94 million in financial advances which can be drawn on without any constraints regarding their use and €15 million in export financing; and ii) two committed lines of credit obtain in May 2020 in the total amount of €150 million, falling due in May 2022.
Funding initiatives to manage the liquidity risk included: i) the use, in August 2020, of the third and final instalment of the European Investment Bank (EIB) loan of €70 million, with a term of 16 years; and ii) the receipt in October 2020 of two term loans totalling €150 million, which have a term of three years and are amortising and indexed to 3-month Euribor with further provision for price adjustment mechanisms linked to sustainability parameters (Environmental, Social and Governance).
In the longer term, liquidity risk is mitigated by a debt management strategy that diversifies the sources of financing in terms of both types of credit facilities and counterparties, with a view to meeting the Group's financial requirements and establishing a balanced debt maturity profile.
In compliance with the general guidelines established by the corporate bodies and the policy approved by the Board of Directors, the Finance and Procurement unit defines the short- and medium/long-term financial structure and the management of the cash flows. The unit's decisions were mainly aimed at: i) guaranteeing that adequate financial resources were 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 falling due over a time horizon of 24 months, even in the event of restrictions on access to credit; iv) ensuring an adequate level of flexibility for ENAV's medium/long-term development projects, relating to investment contracts for the technology and infrastructure modernisation of flight assistance systems.
ENAV's gross financial exposure at 31 December 2020 stood at €543.7 million and is represented by bank debt for medium/long-terms loans of €363.7 million and the exposure to holders of the bond issued on 4 August 2015 maturing on 4 August 2022, with a principal amount of €180 million.
The following table reports the due dates of the medium/long-term bank loans and the bond stated at the nominal value, excluding the effect of amortised cost measurement.

Lender	Type	Outstanding debt at 31.12.2020	<1 year	from 1 to 2 years	from 3 to 5 years	> 5 years
EIB - European Investment Bank	15-year loan	**79,712**	8,332	8,458	26,155	36,767
EIB - European Investment Bank	15-year loan	**64,000**	5,333	5,333	16,000	37,334
EIB - European Investment Bank	15-year loan	**70,000**	0	2,414	14,483	53,103
Intesa Sanpaolo	3-year loan	**100,000**	33,333	33,333	33,334	0
Mediobanca	3-year loan	**50,000**	16,666	16,667	16,667	0
Bond		**180,000**	0	180,000	0	0
Total		**543,712**	**63,664**	**246,205**	**106,639**	**127,204**

(thousands of euros)

The above loan agreements include general commitments and covenants for the Company, some of which have negative provisions, which, although in line with market practices for loan agreements for similar amounts and types, could restrict operations. Specifically, these agreements envisage 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 agreements between ENAV and the European Investment Bank (EIB) for €180 million in 2014 and €70 million in 2016, which were entered into in order to fund investment projects associated with 4-Flight and other projects. At 31 December 2020, the Company had used the entire loan in the amount of €250 million, with the following repayment plan: i) semi-annual instalments in arrears from December 2018 until December 2029, with a fixed interest rate of 1.515%, for the tranche of €100 million; (ii) semi-annual instalments in arrears from June 2018 to December 2032 with a fixed interest rate of 1.01% for the tranche of €80 million; and iii) semi-annual instalments in arrears from August 2022 to August 2036 with a fixed interest rate of 0.638% for the tranche of €70 million. These agreements include:
  - a negative pledge clause, i.e. a commitment by ENAV not to establish or allow the establishment of encumbrances on any of its assets, where encumbrances refer to any agreement or transaction relating to goods, receivables or cash used as an instrument to obtain credit or fund the acquisition of an asset;
  - a cross-default clause, which gives the EIB the right to demand early repayment of the loan if ENAV or any other Group company does not comply with the obligations under any loan or other financial transaction other than this loan agreement;
  - a change of control clause, which gives the EIB the right to demand early repayment of the loan if any party or group of parties acting in concert obtains control or ENAV, or if the Italian Republic no longer retains control of the issuer.

The loans also require compliance with several financial covenants, verified on an annual or half-yearly basis and calculated using the Group's consolidated data: i) a ratio of gross financial debt to EBITDA of less than 3; ii) a ratio of EBITDA to financial expense of at least 6;

- the terms and conditions of the bond issued by ENAV in August 2015 in the amount of €180 million, paying interest at an annual gross fixed rate of 1.93% with bullet repayment of principal on 4 August 2022, include:
  - a negative pledge clause, namely a commitment by the Company not to establish or provide guarantees or privileges on the debt to third-parties additional to those securing the bonds issued unless authorised by the bondholders' meeting;
  - a cross-default clause, which gives bondholders the right to demand early repayment of the bonds if ENAV or its subsidiaries do not comply promptly with the payment obligations of financial payables other than the bond in an amount of more than €15 million;
  - a change of control clause, which gives bondholders the right to demand early repayment of the bonds if a party other than the Italian Republic, its ministries (including the Ministry for the Economy and Finance) or entities or companies directly or indirectly controlled by it or its ministries, obtains control of the issuer.

  The terms and conditions of the bond also require compliance with financial covenants, such as: a) a ratio of net financial debt to EBITDA of no more than 3; b) a ratio of net financial debt to shareholders' equity of no more than 0.7.
- The two loan agreements between the Company and Intesa Sanpaolo and Mediobanca, respectively of €100 million and €50 million, signed in October 2020, with a term of three years, provide for quarterly repayment starting from January 2021 with interest indexed to 3-month Euribor with further provision for price adjustment mechanisms linked to sustainability parameters (Environmental, Social and Governance). These loan agreements do not require compliance with financial covenants, but, in accordance with market practice, include negative pledge, cross-default and change of control clauses that would be triggered should the Ministry for the Economy and Finance cease to hold control of the Company.

In previous years, ENAV has always complied with the covenants set out in each loan. At 31 December 2020, it is felt that the covenants in the existing loan agreements have been complied with.

INTEREST RATE RISK

Fluctuations in interest rates affect the market value of ENAV's financial assets and liabilities and the level of net financial expense. The occurrence of such variations could have an adverse impact on the performance and financial position of the Company.

At 31 December 2020 gross financial debt was largely fixed-rate (73% of the total exposure), with the only exception being the last two loans obtained in the total amount of €150 million, which given the current and prospective negative interest rate structure are not expected to generate financial expense. Accordingly, there is no risk that increases in interest rates would have a negative impact on the level of net financial expense reported in the income statement or on the value of future cash flows. In general, in order to limit the potential adverse effects of interest rate fluctuations, ENAV implements policies designed to contain the cost of funding over time, limiting the volatility of its results. The Company pursues this goal by systematically negotiating with leading banks in order to optimise the average cost of debt, as well as through the strategic diversification of financial liabilities by type of contract, maturity and interest rate conditions (variable-rate/fixed-rate). At 31 December 2020, the average cost of bank debt was around 1.35% (1.7% in 2019).

At present, ENAV does not hold financial instruments valued at fair value and as such exposed to adverse changes as a result of changes in the market level of interest rates.
To date, no derivative financial instruments have been used to manage interest rate risk.

EXCHANGE RISK

ENAV's exposure to the risk of unfavourable changes in the current level of exchange rates due to its transactions in other currencies could have an adverse impact on its financial performance and the value of balance sheet items denominated in foreign currency. Although the Company operates primarily in the Italian market, it does have an exposure to foreign exchange risk deriving mainly from cash flows from investments denominated in foreign currency, mainly the US dollar, as well as from the purchase of the equity interest of 11.1% (following the entry NATS as a new shareholder) in the share capital of US company Aireon and from contracts to provide services on the non-regulated market denominated in foreign currency. In order to manage the exposure to exchange risk, ENAV has developed a policy whose guidelines provide for the use of different types of instruments, specifically swaps and forwards, as well as currency options. Speculative transactions are not permitted by this policy.
In particular, in April 2019, 5 forward foreign currency purchase transactions (dollars against euros) were completed to hedge the exchange risk of the Data Services Agreement signed with Aireon LLC. The total purchase of $4.5 million was made with a total sale of €3.8 million, with forward exchange rates (EUR/USD) negotiated for each expiry until January 2023. Of the 5 forward contracts signed, three remain with a residual overall notional value of $3.6 million.
The fair value of foreign exchange derivatives is measured on the basis standard market algorithms and on market quotes/contributions provided by leading public information providers. Note, however, that the risk resulting from the conversion of the assets and liabilities of ENAV subsidiaries that prepare their financial statements in functional currencies other than the euro is not usually hedged, unless a specific different assessment has been performed.

LITIGATION RISK

Litigation regarding taxation, administrative, civil or labour matters is handled by the competent functions of ENAV. For the purpose of preparing these financial statements, they have provided a comprehensive picture of the various civil, administrative and labour proceedings. ENAV has performed a detailed assessment of the risk of unfavourable rulings in that litigation, which determined the need to prudentially set aside specific provisions for 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 provisions have been recognised for proceedings for which an unfavourable outcome was considered merely possible.
Currently, we do not believe that the pending litigation could result in significant charges for ENAV in excess of the amounts already provisioned for this purpose at 31 December 2020.

CIVIL AND ADMINISTRATIVE LITIGATION

The civil and administrative litigation includes: i) proceedings against suppliers and carriers that are insolvent, in bankruptcy or undergoing other insolvency proceedings, initiated in connection with the recovery of receivables that could not be settled out of court, of which a number have been written down; ii) litigation involving defence against suits brought by suppliers or contractors that ENAV considered to be groundless, or to recover of higher costs and/or losses that the Company incurred due to non-compliance of suppliers/contractors; iii) litigation involving claims on assets belonging to ENAV, claims for damages for the loss of assets transferred to the Company, or claims for payment or improvements to assets; iv) litigation relating to claims for losses caused by aeronautical accidents, for which the risk of an adverse outcome is normally borne by the insurers' of ENAV; v) proceedings challenging the procedures and outcomes of public tenders; and vi) other circumstances such as a dispute involving claims for damages due to failure to acquire a unit belonging to another company.

CRIMINAL PROCEEDINGS

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 were stored at a third-party warehouse has been settled on appeal. In this proceeding the Company was a civil plaintiff against the director of the warehousing company for the criminal offence envisaged under Article 646 of the Criminal Code and, with a ruling handed down on 16 February 2015, the Court found the defendant guilty of, among other things, the offence pursuant to Article 646 and sentenced him for that and other offences he was accused of, to 6 years and 6 months of prison and a fine of €3,000. The Court also issued an immediately provisional executive order for €1 million to be paid to the Company, referring the settlement of the losses incurred by Company to another forum. A ruling of nonsuit 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 subsequent appeal was ruled with the defendant being found guilty and the ruling in trial court in favour of the civil parties was upheld.
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 noted above, ENAV had initiated the claim. In these pending proceedings for multiple property offences and criminal association against the various defendants, including the director of the warehousing company, the Company was a civil plaintiff at the preliminary hearing and, upon conclusion, all the defendants were committed to stand trial. The proceeding is at the argument stage.
The preliminary hearing in the criminal proceedings initiated by the Sassari Public Prosecutor was closed with the court ruling that there were no grounds to continue as the circumstances of the case did not constitute an offence with regard to the charges against, among others, the General Manager of ENAV for the offences envisaged under Article 589 of the Criminal Code, Articles 90, 93 and 157 of Legislative Decree 81/08, in relation to an accident that happened during extraordinary maintenance that resulted in the death of the director of the contracting company. The charges against the former Chief Executive Officer had already been dismissed by the investigating magistrate. Another charge was brought under Article 25-*septies* of Legislative Decree 231/01 on the liability of companies was also brought (although ENAV was never formally notified), but this too was dismissed.
The proceeding initiated by the competent Public Prosecutor's Office against third parties, following the criminal complaint filed by the Company for the offenses of illegal access to IT services, where the Company was a civil plaintiff, was concluded with the conviction of the defendants on all counts, in addition to the grant of a provisional award for damages to ENAV. The defendants subsequently appealed the ruling.

Following a court order of discovery notified on 24 November 2016, the Company produced documentation concerning certain contracts involving the subsidiary 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 aware of any person under investigation or any official charge having been filed.
In response to an order of discovery, on 13 June 2018 ENAV produced documentation relating to the selection of a person related to the former Sole Director of the Company for the position of air traffic controller. On the basis of available information, the matter is being investigated by Public Prosecutor's Office of Rome.

37. Events after the reporting date

On 25 February 2021, the shareholders' meeting of the Sicta Consortium in liquidation approved the definitive closure of the consortium, as the liquidation process had been completed and the allotment plan approved.
On 1 March 2021, Enav España Control Aereo S.L.U. which was acquired in January 2020 for participation in the tender organised by the Spanish airport operator to award terminal air traffic management services for 12 small and medium-sized Spanish airports, and was not operational, was placed in liquidation and definitively liquidated as it did not win the tender.
On 26 January 2021, the maturity of the loan granted to IDS AirNav was extended from 30 June 2021 to 31 December 2022.

38. Proposal to the ENAV S.p.A. Shareholders' Meeting

Dear Shareholders,

The Board of Directors invites you to:

- approve the financial statements at 31 December 2020 showing a profit for the year of €43,342,290.01;
- allocate 5% of the profit for the year, equal to €2,167,114.50, to the legal reserve as provided for pursuant to Article 2430, paragraph 1 of the Italian Civil Code, and the remainder of €41,175,175.51 to retained earnings.

20 April 2021

The Board of Directors

Attestation of the Chief Executive Officer and the Manager Responsible for Financial Reporting on the separate financial statements

Attestation of ENAV SpA's separate financial statement for the year ended 31 December 2020 pursuant to art. 154-bis, paragraph 5, of Legislative Decree 58 of 24 February 1998 and art. 81-ter of CONSOB Regulation 11971 of 14 May 1999.

1. The undersigned Paolo Simioni, as Chief Executive Officer, and Luca Colman as Manager responsible for Enav SpA's financial reporting, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, hereby attest to:
   - the adequacy with regard to the nature of the Company
   - the effective application of the administrative and accounting procedures adopted in preparation of the separate financial statements during the period from 1 January 2018 to 31 December 2020.
2. In this regard, it should be noted that:
   - the administrative and accounting procedures adopted in preparation of Enav SpA's separate financial statements have been defined and the evaluation of their adequacy has been assessed based on principles and methodologies adopted by ENAV in accordance with the *Internal Control-Integrated Framework Model* 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 2020:

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

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

c) give a true and fair view of the financial position and results of operations of the issuer.

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, 20 April 2021

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

(This certification has been translated from the original which was issued in accordance with Italian legislation)

Board of Auditors' Report

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING

(pursuant to Article 2429(2) of the Italian Civil Code and Article 153 of the Consolidated Law on Finance)

Shareholders,

During the year ended 31 December 2020 ("FY 2020"), the Board of Statutory Auditors performed its institutional duties in compliance with the Italian Civil Code, Legislative Decree 39/2010, Legislative Decree 58/1998 ("Consolidated Law on Finance" or "Consolidated Law").

The supervisory activity required by law was also performed in accordance with the instructions of Consob, the provisions of the Corporate Governance Code for listed companies, which the Company has adopted, and the Code of Conduct issued by the National Council of the Italian accounting profession ("CNDCEC"). With reference to the provisions of Legislative Decree 39 of 27 January 2010, and Article 19 in particular, the Board of Statutory Auditors also performed the function of Internal Control and Audit Committee ("CCIRC").

Appointment of the Board of Statutory Auditors and activities

The Board of Statutory Auditors in office at the time of drafting this report was appointed by the Shareholders' Meeting held on 26 April 2019 and will remain in office until the Shareholders' Meeting called to approve the Financial Statements at 31 December 2021.

1. During the meetings held on 18 March and 16 April 2021, the Board of Statutory Auditors carried out its annual self-assessment process and verified, with a positive outcome, that all members fulfilled the independence requirements set out in Article 148(3) of the Consolidated Law on Finance, in the Corporate Governance Code applicable in FY 2020, as well as in the Corporate Code applicable as of FY 2021 (hereinafter jointly or severally referred to as the "Code"). The Board of Statutory Auditors then ascertained that its members were not ineligible or disqualified pursuant to Article 2399 of the Italian Civil Code and Article 148(3) of the Consolidated Law on Finance and the provisions of the Code, and verified that they complied with the limitation on the number of positions they may hold pursuant to Article 144-*terdecies* of the Issuers Regulation in accordance with the provisions of the Articles of Association and the internal rules of the Board of Statutory Auditors. During the self-assessment, the Board of Statutory Auditors also determined that its composition was adequate. The results

of this self-assessment process were reported to the Board of Directors which, at the meeting of 20 April 2021, took note of the assessment of the oversight body.

The Board of Statutory Auditors carried out its activities in FY 2020 through periodic meetings, which were duly minuted, following a specific schedule adopted pursuant to its Rules of procedure.

The magistrate designated by the Italian Court of Auditors in charge of auditing the Company is always invited to attend the meetings of the Board of Statutory Auditors pursuant to and for the purposes of Article 12 of Law 259 of 21 March 1958.

The Board of Statutory Auditors took an active part in all the meetings organised by the Company as part of its induction programme for member of the corporate bodies and in the strategy sessions organised by senior executives with the contribution of management, in compliance with the recommendations of the Code, 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.

Compliance with the law and the Articles of Association

The Company's governance complies with the legislation and regulations applicable to listed issuers and with the Corporate Governance Code, and takes account of best practice in this area. The Board supervised compliance with the provisions of law and the Articles of Association, as well as with other relevant regulations, above all through participation in, and consequent acquisition of information, the Shareholders' Meeting, the meetings of the Board of Directors, the Remuneration and Appointments Committee, the Control, Risks and Related Parties Committee and the Sustainability Committee. Within the scope of its activities, the Board of Statutory Auditors also met with the Supervisory Body, the Director in Charge of the internal control and risk management system, the Internal Audit Officer, the Chief Financial Officer, the Financial Reporting Officer, the Audit Firm EY S.p.A. ("EY"), the heads of the various corporate departments, and the oversight bodies of the Italian subsidiaries.

Specifically, during the year, the Board of Statutory Auditors met 14 times and attended 13 meetings of the Board of Directors. In addition, almost always as a group, or at least in the person of its Chairperson and/or other Board members, the Board participated in 10 meetings of the Remuneration and Appointments Committee, 16 meetings of the Control, Risks and Related Parties Committee and 11 meetings of the Sustainability Committee.

With regard to the supervision of the Company's administrative liability pursuant to Legislative Decree 231/01, the Supervisory Body has constantly provided the Board of Statutory Auditors with information on the issues for which it is responsible, both through the participation of the head of the Internal Audit department in the meetings of the Board of Statutory Auditors, and through periodic meetings with the Supervisory Body, during which the Board of Statutory Auditors examined, inter alia, the Plan of Activities for 2021 and Report on the activities carried out for 2020 (submitted also to the Board of Directors). In these meetings, no significant risks or violations came to light which were not addressed with corrective measures. This conclusion was also reached following the periodic meetings and following exchange of information with the Director in Charge of the internal control and risk management system (in the person of the Chief Executive Officer).

Based on the supervisory activity performed by the Board of Statutory Auditors, it may be reasonably determined that the Company has complied with the requirements on regulated information, including those governing inside information. Furthermore, based on the supervisory activities carried out, the Company appears to have complied with the requirements on regulated information set out in the applicable legislation.

Overall, the internal or external information flows described and those resulting from the continuous exchange of information and documentation, as also indicated in the minutes of the meetings of the Board of Statutory Auditors, appear to demonstrate that the organisational structure, internal procedures, company records and resolutions of the corporate bodies comply with the provisions of law, the Articles of Association and applicable regulations, as well as with the Corporate Governance Code that the Company declared to have adopted by way of the board resolution of 18 February 2021. Accordingly, we report no breach of law, the Articles of Association and regulations, or any comments worthy of note in this area.

None of the members of the Board of Statutory Auditors had any interest, whether on their own behalf or that of third parties, in any given transactions during the year or in the related conduct resulting therefrom.

Compliance with the principles of sound administration

The Board of Statutory Auditors acquired all the information required to perform its control and supervision duties by: i) attending the meetings of the Board of Directors, the Control, Risks and Related Parties Committee, the Remuneration and Appointments Committee and the Sustainability Committee; ii) meeting with the top management of the Company and the heads of the Company departments; iii) meeting with the Audit Firm and with the Supervisory Body pursuant to Legislative Decree 231/2001; iv) meeting and exchanging information with the control and governing bodies of the subsidiaries; v) analysing information provided by corporate units.

On the basis of the information acquired, management decisions appear to have been inspired by the principle of correct information and reasonableness and the directors acted with an understanding of the risks and effects of the transactions conducted.

During the year, the Board of Statutory Auditors received information from the Chief Executive Officer on a quarterly basis regarding the general performance of operations and outlook. During the *ad hoc* sessions and various board meetings, the progress of the

Business Plan, the Group's economic and financial scenario, and the annual budget were examined among other things. As seen from the financial report, no transactions were carried out in FY 2020 that could be qualified as major economic, financial and equity transactions.

The actions approved and implemented comply with the principles of sound administration and were not manifestly imprudent, reckless or in conflict with the resolutions passed by the Shareholders' Meeting or such that they would compromise the integrity of company assets, nor were any atypical or unusual transactions conducted with third parties, Group companies or related parties or, as noted previously, that would represent a conflict of interest.

Governance and adequacy of the organisational structure and the internal control system

The Company's governance is structured and in line with the Code and best market practices, also taking into account the entry into force of the regulatory amendments adopted by Consob in implementation of the primary legislation transposing Shareholders' Directive II, as well as the new Corporate Governance Code. The Board of Directors – appointed by the Shareholders' Meeting held on 21 May 2020, which will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2022 – is currently made up of nine directors: Francesca Isgrò, as Chair; Paolo Simioni; Angela Stefania Bergantino; Laura Cavallo; Fabiola Mascardi; Giuseppe Lorubio; Fabio Pammolli; Carlo Paris and Antonio Santi.

The Board of Directors has delegated powers to Mr Paolo Simioni, also appointing him Director in Charge of the internal control and risk management system. On that occasion, the Board – reserving to itself, among other things, responsibility for setting corporate policy and strategies, approving the organisational macro-structure of the Company, the budget, the Company's strategic and multi-year industrial plans (where applicable also with reference to the Group), as well as other extraordinary corporate transactions, and for carrying out transactions of particular economic and financial significance – conferred powers to CEO Paolo Simioni for the ordinary and extraordinary management of the Company, including the power of legal representation, within the limits provided for in the award decision, except only for those reserved (by law, by the Articles of Association or by said Board resolution) to the Board of Directors or to the Chair.

The Chair, who is responsible for overseeing corporate governance and coordinating the Secretary of the Board of Directors and, on its behalf, the activities of the committees, is granted the powers to coordinate audit activities and handle 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 have been effectively exercised and the decision-making structure formally adopted by the Company corresponds to the structure that exists in practice, also with regard to the hierarchical reporting structure, the corporate decision-making and implementation process, the financial reporting process and the definition and the practical workings of the various levels of control.

Within the scope of the Board of Statutory Auditors' supervisory activities, no problems emerged with regard to the composition, size and operation of the Board of Directors and the Board Committees, with particular reference to the requirements for independent directors, the determination of remuneration or the comprehensiveness, expertise and responsibilities associated with each corporate unit.

The Board of Statutory Auditors acquired information and supervised, within its area of responsibility, the adequacy of the Company's organisation, in compliance with the principles of sound administration and the adequacy of the instructions issued by the Company to its subsidiaries pursuant to Article 114(2) of the Consolidated Law, also through: 1) the direct acquisition of information from the managers of the competent corporate units; 2) meetings and exchanges of information with the oversight bodies of the main Group subsidiaries; and 3) meetings with the Audit Firm and the findings of specific audits, also involving Italian and foreign subsidiaries.

Based on the information acquired, the Board of Statutory Auditors successfully performed its supervision of the adequacy of the organisational structure, in terms of structure, procedures, skills and responsibilities in relation to the size of the Company, its nature and the manner in which the corporate purpose is pursued.

The Board of Statutory Auditors also supervised the adequacy of the internal control and risk management system (ICRMS): i) by examining the assessment of the Board of Directors, which expressed a positive opinion on the adequacy and effective operation of the ICRMS; ii) by examining the Report of the Financial Reporting Officer with regard to the administrative and accounting arrangements and to the internal control system for financial reporting, the Internal Audit Report supporting the evaluation of the adequacy of the ICRMS and the Reports of the Control, Risks and Related Parties Committee for 2020, which were drawn up in compliance with the provisions of application criterion 7.C.1, letter b) of the Code of Corporate Governance concerning the adequacy of the internal control and risk management system in relation to the characteristics of the business and its risk profile, as well as its effectiveness; iii) by examining the Half-Year and Annual Financial Reports, the Risk Appetite Statement of the Board of Directors, the risk policies adopted by the Board, as well as the Reports drawn up within the scope of Risk Management activities, which are aimed at representing the main risks of the Group and related plans for managing those risks; iv) by examining the Internal Audit reports, as well as the regular reporting on the progress of audits and findings of the monitoring the implementation of the corrective measures identified following audit activities; v) through the reporting provided for by internal procedures with regard to the notification of proceedings initiated by the Italian government bodies/authorities; vi) by obtaining information from the heads of the corporate units; vii) by examining company documentation; viii) by liaising with the oversight bodies of the main subsidiaries pursuant to Article 151(1) and (2) of the Consolidated Law; ix) by attending the proceedings of the Control, Risks and Related Parties Committee and, where necessary, the joint discussion of certain specific issues; and x) by implementing specific supervisory initiatives, including within meetings of the Board and through periodic requests for updates from the corporate units responsible for issues relevant to our supervisory activities.

Internal Audit actively supported the activities of the Board of Statutory Auditors. The Internal Audit Officer is always invited to the meetings of the Board of Statutory Auditors and regularly attends, thereby ensuring the constant exchange of information and the alignment of our respective supervisory and audit activities, also in conjunction with the Control, Risks and Related Parties Committee, the secretary of which is selected from the staff of the Internal Audit unit. Overall, the activities implemented by the Internal Audit department were found to be effective and appropriate, as can also be concluded from the Report on Internal Audit activities for 2020, submitted to the Board of Directors at its meeting on 18 February 2021. The Internal Audit department operates in accordance with the mandate conferred by the Board of Directors, most recently approved by way of the resolution of 22 December 2020, having consulted with the Control, Risks and Related Parties Committee and Board of Statutory Auditors, and based on a multi-year Plan prepared and updated each year and approved by the Board of Directors, having obtained the opinion of the Control, Risks and Related Parties Committee and consulted with the Board of Statutory Auditors. The Internal Audit Officer is also responsible for handling anti-corruption and anti-fraud issues, oversight of which has been further strengthened and based also on the ISO 37001 provisions downstream of the adoption of the Code of Conduct for tackling corruption, which was adopted by the Board of Directors on 2 August 2018. The Company possesses an adequate prevention system for these issues, having effective reporting (whistleblowing) channels in place, pursuant to the associated Rules. In view of EU Regulation 2016/679 ("GDPR" – General Data Protection Regulation), the role of Group Data Protection Officer has been assigned to a person working in the Internal Audit department, ensuring the requirements of autonomy and independence, as well as dedicated economic resources.

In 2020, the Internal Audit department received only one report through the whistleblowing channel, which was promptly examined and closed. Given the investigation activities resulting from further previous reports, the department assessed the reliability and relevance of one of investigations, which it decided to include in the 2021 audit plan.

The Board of Statutory Auditors has examined the (planned and unplanned) audit reports it has received, which have been drawn up by the Internal Audit unit, together with the periodic reports of that unit containing the findings of the reports and a breakdown of the activities carried out in 2020. This information made it possible to monitor audit arrangements, note a number of initiatives to strengthen them or suggest areas for improvement of the ICRMS.

The information flows between Internal Audit, the Supervisory Body, the Board of Statutory Auditors and the Control, Risks and Related Parties Committee are substantial and timely. Information is continually exchanged with the three board committees thanks also to the attendance of almost always the entire Board of Statutory Auditors or at least the Chair of the Board of Statutory Auditors and/or the other Statutory Auditors.

The Board of Statutory Auditors therefore believes that the internal control and risk management system as a whole and in the individual operational areas is adequate in the light of the supervisory activity conducted over planning and the internal control environment, the corporate risk assessment system, the internal control activities, the reporting and communication procedures and mechanisms, as well as monitoring activities.

The adequacy of the administrative and accounting system and statutory auditing of the accounts.

The Board of Statutory Auditors monitored the Company's administrative and accounting system and its reliability in correctly representing operational developments by using the information provided by the Chief Executive Officer, Chief Financial Officer (who in FY 2020 also took on the role of Financial Reporting Officer) and heads of the competent departments, by reviewing the documentation drawn up by the Company, and by analysing the activities conducted by the Audit Firm.

Specifically, the Board of Auditors noted that in 2020 the Financial Reporting Officer conducted and completed the evaluation of the adequacy and effective implementation of the administrative and accounting procedures pursuant to Article 154-bis of the Consolidated Law. This activity made it possible for the Financial Reporting Officer to certify that the Financial Statements complied with the applicable international accounting standards and were capable of providing a true and fair representation of the performance and financial position of the Company and that of the companies included in the scope of consolidation.

As far as the activity conducted is concerned, based on the information acquired, the statements, procedures and certifications implemented or issued by the Financial Reporting Officer appear to be complete. The administrative and accounting procedures for the preparation of the Company's financial statements are deemed adequate. This assessment is also supported by the results of independent testing activities performed by a qualified consulting company, as well as by the audits performed by Internal Audit. Partly on the basis of this activity, which found no significant issues to report, the Board of Statutory Auditors also considered the internal control system for financial reporting to be appropriate.

The Board of Statutory Auditors met regularly with the team of the Audit Firm EY, in order to exchange relevant data and information pursuant to Article 150(3) of the Consolidated Law and Art. 19(1) of the Legislative Decree 39/2010, receiving updates regarding the audit work performed, and the related results. During such meetings with the partner and managers of EY, no significant and critical facts emerged to be disclosed.

On these occasions, information was acquired regarding also the assessments made on the implications of the crisis triggered by the Covid-19 pandemic and the macroeconomic trends relating to the repercussions on ENAV. The impact of the remote working, which was adopted by the Audit Company with the support of the corporate structures in the context of the current health emergency, was also monitored without any critical aspects being detected. In these meetings the Audit Firm did not communicate any significant fact or irregularity that would need to be reported here.

Within the scope of their duties, the Board of Statutory Auditors evaluated and supervised the financial reporting process as well as the effectiveness of the administrative and accounting control systems and the reliability of the latter in providing an accurate representation of operational developments through: i) the regular exchange of information with the CEO and the Financial Reporting Officer in compliance with the provisions of Article 154-*bis* of the Consolidated Law; ii) the examination of the reports drawn up by the Internal Audit department and the outcomes of any corrective actions undertaken following the audits; iii) the acquisition of information by the heads of corporate units; iv) liaison with the control and administrative bodies of subsidiaries pursuant to Article 151(1) and (2), of the Consolidated Law; v) participation in the work of the Control, Risks and Related Parties Committee, often in joint sessions to maximise interactions for the sake of each other's supervisory functions; vi) close examination of key audit matters and other issues that emerged during the exchange of information with the Audit Firm, which also illustrated its strategy, areas of focus, checks performed and the related findings without identifying significant shortcomings concerning internal control over the financial reporting process, also in light of Consob emphasis of matter No. 1/21 of 16 February 2021.The Board of Statutory Auditors also verified the formal and substantive evaluation process of ENAV's equity investment in Techno Sky, IDS AirNav and Aireon LLC through its subsidiary ENAV North Atlantic, by analysing the method applied and the respective results. In this regard, the Board of Statutory Auditors found that the methodology and the procedure used for the impairment testing of Techno Sky and IDS AirNav and the fair value measurement of the investment in Aireon LLC were consistent and appropriate, as presented in the Financial Report, also in light of with similar assessments performed by the Board of Directors, supported by the Control, Risks and Related Parties Committee and taking account of the dialogue with the Audit Firm and the subsequent examination of the opinion issued today.

In light of its supervisory activity and also taking account of the Board of Directors' finding on 20 April 2021 that the organisational, administrative and accounting arrangements of the Company were appropriate, the Board of Statutory Auditors, within the scope of its duties, believes that this system is essentially adequate and reliable in fairly representing operational developments.

The Audit Firm EY, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) 537/2014, today issued audit reports on the Financial Statements and the consolidated financial statements for the year ended 31 December 2020, in which it:

- issued an opinion concluding that the Group's financial statements and consolidated financial statements provide a true and fair view of the financial position of the Company and the Group at 31 December 2020, its performance and cash flows for the year ended at that date, in compliance with the International Financial Reporting Standards endorsed by the European Union and the provisions issued in implementation of Article 9 of Legislative Decree 38 of 28 February 2005;

- issued a consistency opinion concluding that the Report on Operations which accompanies the financial statements and consolidated financial statements at 31 December 2020 and the information in the Report on Corporate Governance and the Ownership Structure indicated in Article 123-*bis*(4) of the Consolidated Law, are consistent with the financial statements and have been drawn up in compliance with the law;
- confirmed that the opinion on the separate financial statements and the consolidated financial statements expressed in the above-mentioned reports is consistent with the additional Report drawn up pursuant to Article 11 of Regulation (EU) 537/2014.

The Audit Firm’s reports also include the key matters such as identified in the audit of the Company’s financial statements and the Group’s consolidated financial statements and the respective declarations, made pursuant to Article 14(2)(e) of Legislative Decree 39/2010, that no material errors were found in the contents of the Report on Operations.

On the date of this Report of the Board of Statutory Auditors, the Audit Firm EY also presented the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, with the “additional report” required under Article 11 of Regulation (EU) 537/2014, from which it emerges that there are no significant deficiencies in the internal control system for the financial reporting process which need to be brought to the attention of the governance bodies.

The Audit Firm submitted the declaration of independence to the Board of Statutory Auditors, as required under Articles 10 and 17 of Legislative Decree 39/2010, and Article 6 of said Regulation, which do present any situations that could compromise their independence. The Audit Firm also published the 2020 Transparency Report on its website produced pursuant to Article 18(1) of said decree.

With further regard to the Audit Firm’s independence assessment, the Board of Statutory Auditors, in its capacity as the Audit Committee pursuant to Article 19 of Legislative Decree 39/2010, verified that the total fees in 2020 for audit-related services paid to the Audit Firm EY and entities within its network by the Company and its subsidiaries complied with the limitations pursuant to Article 4(2) of Regulation (EU) 537/2014. For this purpose, the nature of these engagements was evaluated in the light of the provisions concerning prohibited services pursuant to Article 5 of this Regulation, finding that the Audit Firm did not perform prohibited non-audit services. In light of the provisions of that Article 19, the Board of Auditors declares that the fees for non-audit services total euro 78,000 and are indicated – pursuant to Article 149-*duodecies* of the Consob Issuers Regulation – in Note 41 to the Consolidated Financial Statements at 31 December 2020. The auditing fees amounted to euro 330,000. In light of the available information and the findings of the checks performed, the Board of Statutory Auditors has concluded that the independence of the Audit Firm can be confirmed.

Separate and Consolidated Financial Statements

The Board examined the draft Financial Statements for the year ended 31 December 2020, which reported a profit for the year of euro 43,342,290.01 and, as far as the Board of Statutory Auditors is aware, there are no derogations from statutory rules.

As indicated in the Financial Statements and in the notes thereto, the severe contraction of air traffic volumes determined by the pandemic crisis, which over the course of the year 2020 recorded decreases as low as -90% compared to the year 2019, materially affected the Company also in economic and financial terms, which are reflected *inter alia* in the decline of net profit and in the increase in net financial debt, mainly due to lower revenues from operations, partially compensated by an increase in balance revenues. We also note that, with reference to the identification of criteria for the determination of balance, the directors have made application of the extraordinary rules concerning air navigation tariffs as provided for under Regulation (UE) 2020/1627 of November, the 3rd 2020, issued by the European Commission in response to the pandemic crisis and the related contraction in air traffic flows. Since, as at the date of preparation of the Financial Statements, the information necessary for an exact determination of the balance component pursuant to the above-mentioned Regulation have not been defined, the directors and the management have decided to adopt for such estimate the information contained in the European Commission's proposal, which shall be put forward for approval by Member States. As such information is not final, the estimate of the balance component is therefore subject to significant uncertainty, as also indicated by the Audit Firm.

As the Board of Statutory Auditors is not required to perform the statutory audit, it monitored the general approach adopted with the Financial Statements and their compliance with the law as far as their formation and structure are concerned, without finding any issues that would need to be reported. The Board of Statutory Auditors also verified compliance with the laws concerning the drafting of the Report on Operations, again finding no issues to report in this case. The directors discussed in the Annual Report the items that contributed to the financial result and the events giving rise to that performance.

The separate financial statements of ENAV at 31 December 2020 were drawn up 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 with Regulation (EC) No. 1606/2002, and pursuant to Legislative Decree 38 of 28 February 2005 governing the application of the IFRS within the scope of Italian law. The accounting policies adopted reflect ENAV's ongoing operations in the foreseeable future, having adopted the assumption that the Company is a going concern, and comply with those applied in the drafting of the 2020 Financial Statements, except for the latest adopted principles referred to in paragraph 4 of the Notes to the Financial Statements.

As noted previously, ENAV's 2020 financial statements were audited by the Audit Firm, which, pursuant to Articles 14 and 16 of Legislative Decree 39/2010, issued an opinion with no qualifications.

The Audit Firm also issued their report on audit of the 2020 financial statements of the subsidiaries Techno Sky, IDS AirNav and D-Flight.

With regard to the provisions of Articles 15 et seq. of the Markets Regulation 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 2020, the Board of Statutory Auditors notes that the relevant subsidiaries for the purposes of these provision are correctly included within the scope of the internal control system for financial reporting, in relation to which no significant shortcomings have been reported. In this respect, in approving the draft financial statements for 2020, in April 2021 the Board of Directors of the Company, following appropriate checks conducted by the Control, Risks and Related Parties Committee and having consulted the Board of Statutory Auditors, also confirmed compliance with the regulatory framework referred to above.

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 Audit Firm, it was acknowledged that the year ended with a consolidated profit of 53.972.216 and how the specific EY report, drawn up pursuant to Article 14 of Legislative Decree 39/2010, did not include any findings or emphases of matter. In any case, the Company has declared that it has drawn up the 2020 Consolidated Financial Statements of the ENAV Group in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations (IFRIC and SIC), endorsed by the European Union with Regulation (EC) No. 1606/2002, and pursuant to Legislative Decree 38 of 28 February 2005 governing the application of the IFRS within the scope of Italian law. The main relationships with subsidiaries are discussed below in the specific section of this report.

Covid-19 health emergency

Since the end of March 2020, the Company has taken every possible step to deal with the health emergency amid a context characterised – among other things – by major restrictions on the freedom of movement. In particular, the HSE department was involved in order to assess and monitor the impact of national and local Covid-19 regulations (and their developments over time) on the Company's activities, with a view to guaranteeing the health and safety of staff on one hand, and the continuity of service on the other. The main measures taken include, first and foremost, the mass use of smart working for staff, while for air traffic control operating activities, fixed work teams were set up on rotation to ensure service coverage even in the event of infection, by avoiding contact between the various teams to minimise the risk of the virus spreading among staff members.

The sharp reduction in air traffic due to the pandemic crisis had a significant impact on the Company during the year, also in economic and financial terms, as described in the previous paragraph.

In this regard, the Board of Statutory Auditors supervised the steps taken by the Company, including with a view to the future, and their proper representation in both financial and non-financial reporting, while monitoring regulatory developments together with the relevant departments. In accordance with the most recent recommendation in Consob Emphasis of Matter No. 1/21, the Board of Statutory Auditors carried out the necessary in-depth analyses on the impact of the pandemic on the business, holding periodic meetings with the Board of Directors and board committees, the Audit Firm and Supervisory Body. As part of the activities specifically aimed at overseeing the impacts of Covid-19, the Board also verified the adequacy of the organisational, administrative and accounting structure in promptly detecting any critical issues with potential impacts on business continuity, as part of the Enterprise Risk Management's integrated risk monitoring system.

The consolidated non-financial statement (NFS)

The Company, which already complies with Legislative Decree 254/2016 on non-financial reporting, produces a Sustainability Report that includes the Non-Financial Consolidated Statement pursuant to Legislative Decree 254/2016, based on a structured system for collecting qualitative and quantitative information. Referring to the Sustainability Report published in accordance with the law, please note that the key initiatives in the field of non-financial reporting include: highlighting the issues identified by Consob with Emphasis of Matter No. 1/21, the transition from stakeholder engagement to stakeholder management, and the integration of non-financial risks within the ERM system.

Pursuant to Article 3(10) of Legislative Decree 254/2016, the Sustainability Report was subject to a "limited assurance" by EY – the entity engaged to perform the statutory audit.

The Board of Statutory Auditors, pursuant to Article 3(7) of Legislative Decree 254/2016, monitored compliance with the provisions contained in said decree on the consolidated non-financial statement ("NFS") and, in this regard, found that the Company fulfilled the obligations required by law for the drafting of said statement as contained within the Sustainability Report, in compliance with Articles 3 and 4 of the above-mentioned Decree, as well as Article 5 of the Consob Regulation adopted with Resolution 20267 of 18 January 2018, and drafted it in compliance with the principles and methods set out in the GRI core standards selected by the Company.

The Sustainability Report and consolidated non-financial statement for 2020, approved by the Board of Directors on 20 April 2021, was accompanied by the limited audit report issued by EY today.

The corporate governance rules

The Company has adopted the Code, considering that the alignment of its governance with Italian and international best practice (on which the Code is based) is a key prerequisite for achieving the Company's objectives, and therefore works to ensure that its corporate governance rules are consistent with those provisions.

The Board of Statutory Auditors verified that the Report on Corporate Governance and Ownership Structure for 2020 – drawn in accordance with the instructions in the Rules for the markets organised and operated by Borsa Italiana S.p.A. and pursuant to Article 123-*bis* of the Consolidated Law, as approved by the directors on 20 April 2021 – provides a detailed and accurate description of the corporate governance system.

The Board of Statutory Auditors determined that the Report complies with primary and secondary legislation, as well as with the provisions of the Code and that, based on the findings of the supervisory activity carried out, these provisions were applied effectively and correctly.

The Board of Statutory Auditors also found that the assessment criteria and procedures – adopted by the Board of Directors to assess the directors' independence, based on an *ad hoc* policy adopted by the Board of Directors on 18 February 2021 and applied in the last audit carried out by the administrative body on 23 March 2021 – were applied correctly.

The Board of Statutory Auditors verified that the Report on the Remuneration Policy and Remuneration Paid, drawn up pursuant to Article 123-*ter* of the Consolidated Law on Finance and Article 84-*ter* of the Issuers Regulation, has been approved by the Board of Directors after obtaining the opinion of the Remuneration and Appointments Committee; said Report will be submitted to the Shareholders at their Meeting called for 28 May 2021 to decide on: (i) the first section on remuneration policy with a binding vote; and (ii) the second section on remuneration paid during 2020 with a non-binding vote.

Relationships with the Parent Company and with the subsidiaries

At 31 December 2020, the Italian Ministry for the Economy and Finance ("MEF") owned 53.28% of ENAV, 46.72% was owned by institutional and individual shareholders, including the portion of treasury shares owned by the Company amounting to 0.14% of its capital.

As far as relations with the MEF are concerned, the Company is subject to the golden power rules pursuant to Legislative Decree 21 of 15 March 2012, ratified with amendments with Law 56 of 11 May 2012, also in light of the amendments introduced by Article 4-*bis* of Decree Law 105 of 21 September 2019, ratified with amendments by Law 133 of 18 November 2019 containing urgent measures for national cyber security and rules governing special powers in strategic sectors, as specified in the Report on Corporate Governance in paragraph 1.6.

The Board of Statutory Auditors met with the oversight bodies of the main subsidiaries in order to exchange the necessary information. The Group has adequate controls in the 231 area as Techno Sky, IDS AirNav and d-flight have their own MOG and autonomous Supervisory Bodies. Level-three controls are entrusted to the Parent Company's Internal Audit department as per the mandate assigned by the Board of Directors and an intercompany agreement that applies to all Group companies.

Related-party transactions

The Company has adopted rules that ensure the transparency and the substantive and procedural fairness of related-party transactions, in accordance with the general principles indicated by Consob, as described in the 2020 Report on Operations. Specifically, on 21 June 2016 and with effect from the listing date, the ENAV Board of Directors approved the "Procedure for related-party transactions", pursuant to Article 2391-*bis* of the Civil Code and the Regulation adopted by Consob with Resolution 17221/2010 as amended. This procedure, having obtained the favourable opinion of the Control, Risks and Related Parties Committee and consulted the Board of Statutory Auditors, was most recently updated by the Board of Directors on 12 December 2018.

The Board of Statutory Auditors found that the activity conducted by the committee and the information provided by the Board of Directors in the Report on Operations with regard to intercompany and related-party transactions was appropriate.

The 2020 Financial Statements provide information on 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 reported in the notes to the Financial Statements, which we invite the reader to consult for information on the type of such transactions and the related financial effects. These 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 discuss the procedures adopted to ensure that related-party transactions are conducted in compliance with the criteria of transparency and procedural and substantive fairness. Note that the transactions indicated were implemented in compliance with the approval and execution methods set out in the above procedure and described in the Report on Corporate Governance and Ownership Structure for 2020. All transactions carried out in FY 2020 were undertaken as part of ordinary operations and, unless otherwise specified, were settled on market terms and conditions, i.e. the terms and conditions that would apply to two independent parties, and were carried out in the interest of Group companies.

Omissions and censurable actions. Complaints filed and opinions provided

In the course of performing its supervisory activity, the Board of Statutory Auditors found no omissions by the directors or censurable actions, meaning that there are no irregularities that would require reporting to Consob pursuant to Article 149(3) of the Consolidated Law.

During the year and to date, the Board of Statutory Auditors received no complaints pursuant to Article 2408 of the Civil Code or any reports.

In 2020, the Board of Statutory Auditors was called upon to express the following opinions, all of which were favourable, with regard to:

i) the appointment of the Internal Audit Officer and respective remuneration;

ii) the approval of the Internal Audit Activity Plan for 2021, with the related budget;

iii) the adequacy assessment of: (i) the organisational, administrative and accounting arrangements of the Company pursuant to Article 2381(3) of the Civil Code; (ii) powers and resources at the disposal of the Financial Reporting Officer for the performance of the duties assigned to him by law, pursuant to Article 154-*bis*(4) of Legislative Decree 58/98; (iii) ENAV's internal control and risk management system with respect to the characteristics of the company and the risk profile it has assumed, as well as its effectiveness pursuant to and for the purposes of the recommendations of the Code;

iv) approval of the remuneration pursuant to Article 2389(3) of the Italian Civil Code paid to directors holding special offices and, specifically, to the Chief Executive Officer on account of the powers conferred thereto, for the fixed component and short- and long-term variable component; to the Chair of the Board of Directors on account of the powers conferred thereto; and lastly, to the Directors who are members of the board committees.

Conclusions

Based on the activities performed as described above, and taking account of the considerations reported above, the Board of Statutory Auditors finds no grounds for impeding the approval of the Financial Statements as at 31 December 2020 nor the proposals of the Board of Directors.

28 April 2021

Dario Righetti, Chairman

Franca Brusco, Standing Auditor

Pierumberto Spanò, Standing Auditor

Independent Auditor’s Report on the separate financial statements

Enav S.p.A.

Financial statements as at December 31, 2020

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 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, 2020, and the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity and the 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, 2020, 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:

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Key Audit Matter	Audit Response
Recognition and valuation of revenues – *Balance*	
Revenues from contracts with customers as at December 31, 2020 amounts to Euro 712,8 million including *Balance* adjustment for an amount of Euro 383,4 million. Revenues from en-route and terminal services include a positive or negative revenue adjustment recorded at the year-end in order to reflect the effective performance for the year. Such revenue adjustment, achieved through the *Balance* mechanism, is regulated through specific tariff mechanisms effected over the years following the concerned fiscal year. Considering the Covid-19 pandemic impacts on air traffic sector, *Balance* measurement criteria for the current period are being under revision from the European Commission following a process for which the conclusion is expected in May 2021. The processes and methodologies for measuring such revenue adjustments are based on complex calculation algorithms and assumptions that for their nature require Directors' judgement, in particular with reference to the *Balance* measurement criteria, the expectations about settlement date and the determination of the discount rate applied for. With reference to the identification of the *Balance* measurement criteria, Directors applied the provisional rules contained in the European Commission proposal. Judgement applied is characterized by significant uncertainties considering that any definitive rules from the regulator may lead to different amounts. Because of the mentioned complexity that characterize this measurement, we identified this area as a key audit matter. The disclosures related to the revenues accounting policy and measurement criteria resulting from the *Balance* mechanism are included in notes "3. Accounting standards" and "Use of estimates and management judgements, including those connected with the COVID-19 pandemic".	Our audit procedures in response to the key audit matter concerned, among the others: • the assessment and understanding of the applicable regulations; • the assessment of the process for the determination of the *Balance*; • the understanding and evaluation of the estimation methodologies used by the Directors through the analysis of requirements issued by European Commission and inquiries with the management; • the assessment of the reasonableness of the criteria used by the Directors for the determination of the *Balance* and for the discount process applied; • the verification of the arithmetic correctness of the calculations performed by the Directors. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Building a better working world

Recoverability of the investments

The Investments in subsidiaries as at December 31, 2020 amount to Euro 188,1 million, of which Euro 99,2 million referred to the Techno Sky S.r.l. and 41,1 million referred to the IDS AirNav S.r.l..

At least once a year, the management assess the existence of impairment indicators for the investments and, if they occur, investments are subjected to impairment test. In the case, considering that carrying amount of the aforementioned investments exceeds the corresponding equity portion, the impairment test has been performed.

The identification of impairment indicators as well as the processes and methodologies for assessing and determining the recoverable amount of the investments are based on assumptions, sometimes complex that due to their nature require Directors' judgment, particularly with reference to the forecasted future cash flows for the period covered by the business plans 2021-2024, the determination of the normalized cash flows used for the terminal value estimate and the determination of long-term growth and discount rates applied to the forecasted future cash flows.
Because of the judgement required and the complexity of the assumptions used to estimate the recoverable amount of the investments, we identified this area as a key audit matter.

The disclosures related to the assumptions and estimates used by the management are included in the note "Use of estimates and management judgements, including those connected with the COVID-19 pandemic", while the disclosures related to the process for determining the recoverable value of the investments are included in note "7. Investments".

Our audit procedures in response to this key audit matter concerned, among others:

- assessment of the process for the valuation of the investments;
- assessment of the criteria adopted to identify impairment indicators;
- assessment of the forecasted future cash flows, the verification of the consistency of the forecasted future cash flows of the investments resulting from the business plan 2021–2024;
- assessment of Directors' ability to make accurate projections, through the comparison of the actual results with the previous forecast;
- assessment of the long-term growth rates and discount rates.

In performing our procedures, we leveraged the assistance of our experts in valuation techniques, who performed an independent recalculation and sensitivity analysis of the key assumptions that could have a significant effect on the valuation of the recoverable value.

Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Recoverability of the investment in Enav North Atlantic LLC

The investment in the subsidiary Enav North Atlantic LLC, owned for the investment in the the non-controlling interest in Aireon LLC, is accounted, as at December 31, 2020, for an amount of Euro 47,6 million. The processes and methodologies used for determining the recoverable value of the investment, are based on the fair value measurement of the investment in Aireon LLC, performed in the consolidated financial statement. Because of the judgment required to the Directors and the complexity of the assumptions applied for the estimate of the recoverable amount of the investment, we identified this area as a key audit matter. The disclosures related to the valuation of the investment in Enav North Atlantic LLC are included in the note "Use of estimates and management judgements, including those connected with the COVID-19 pandemic" while the disclosures related to the criteria of execution of the impairment test are included 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, the assessment of the long-term growth rates and discount rate. In performing our procedures, we leveraged the assistance of our experts in valuation techniques, in order to verify the methodology used in the process, the mathematical accuracy of the model and the reasonableness of the assumption used by the management for the fair value measurement of the investment in Aireon LLC. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view 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.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have 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, 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 consider this matter in forming 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 Shareholders of Enav S.p.A., in the general meeting held on April 29, 2016 engaged us to perform the audits of the financial statements and consolidated financial statements for each of the 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 pursuant to 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 January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of Enav S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Enav S.p.A. as at December 31, 2020, 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 February 24, 1998, with the financial statements of Enav S.p.A. as at December 31, 2020 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 Operations 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, 2020and 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 January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, April 28, 2021

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

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

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People, technology, infrastructure and excellence in safety
and on-time performance are the driving force of the ENAV Group.

We are designing the sky of the future
with ever more advanced and innovative solutions.

ENAV has forged a sustainable business model, one that is consistent
with an international, open and virtuous vision in which people
and innovation are values worth investing in.

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