we look up

9 Months 2017 Financial Results

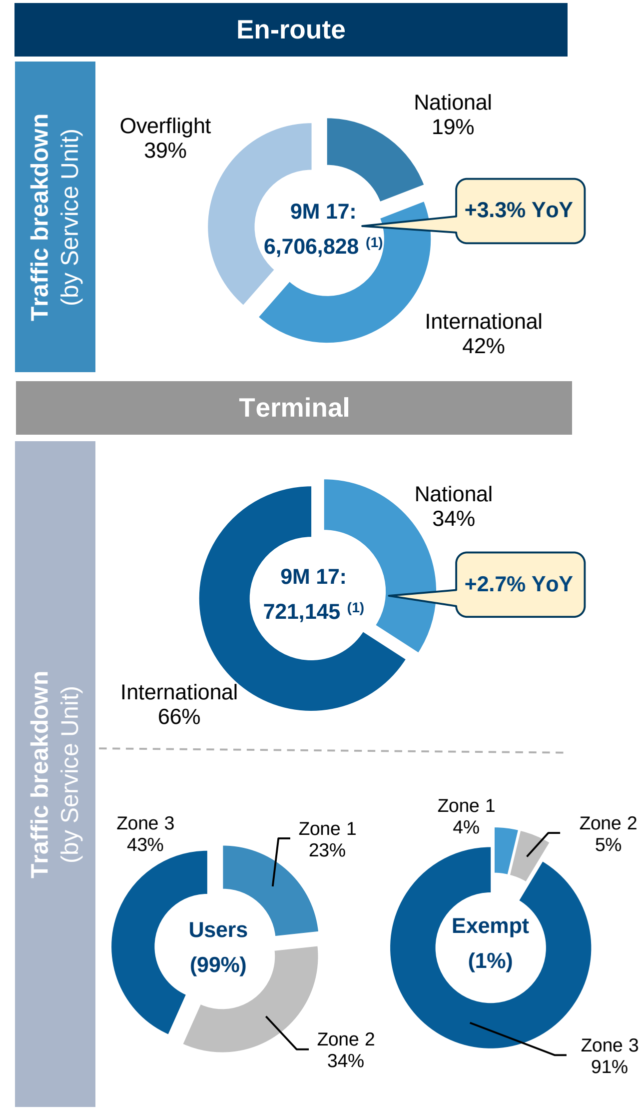
November 13, 2017

9M 2017 Highlights

- **Traffic growth** acceleration in Q2 17 and Q3 17 leads to strong increase in **revenue from operations, up 6.9%** to €669.3m
  - En-route revenue up 4.8% to €478.5m
  - Terminal revenue increases by 12.4% to €169.8m
  - Non-regulated revenue grows 18.5% to €10.6m, +58.7% on an organic basis
  - Significant negative impact from Balance of -€21.8m in 9M 17 vs €10.1m in 9M 16 due to due to positive effect of TZ3 balance in 9M16 and negative effect in 9M 17 and higher balance reversal in tariff in 9M 17
- **EBITDA increases by 10.8% YoY to €230.5m,** driven by cost efficiency delivering a 280bps improvement in margin to 34.2%; excluding IPO costs in 9M 16 EBITDA increases 7.0% YoY
- **Net profit of €89.6m, up 27.3%** over previous year
- **Net debt / LTM EBITDA of 0.6x**
- Capex of €76m in 9M 2017
- 2017 FY guidance confirmed

9M 2017 Main Traffic Trends

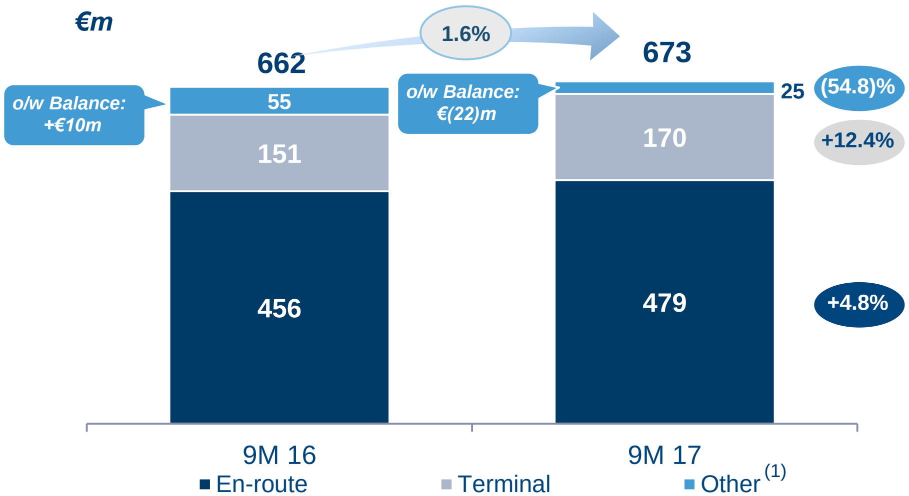
- **En-route** service units **increase 3.3%**[1] YoY driven by significant growth in Q2 17 (+4.9%) and Q3 17 (+4.8%) :
  - Positive performance in International traffic, with service units up 2.3% YoY
  - Solid rebound in National traffic, with service units increasing 2.4% YoY
  - Overflight service units growth accelerates to +5.0% YoY
- Solid growth trends in **Terminal traffic** with service units up **2.7%[1]** YoY:
  - Growth in International traffic, up 3.7% YoY, in particular in TZ2 (+4.8%) and TZ3 (+7.5%)
  - Marginal increase in national traffic (+0.9%) with service units growth in TZ2 (+3.0%) and TZ3 (+2.9%) offset by 7.1% decline in TZ1, also due to Alitalia issues (Alitalia represents 42% of service units for TZ1)
- TZ3 traffic positively impacted by inclusion of Rimini and Comiso airports under ENAV perimeter
- Traffic trends positive despite Alitalia issues, Ryanair operational issues in Q3 17 and demise of Air Berlin and Monarch pointing to a rapid substitution effect and favorable international traffic dynamics



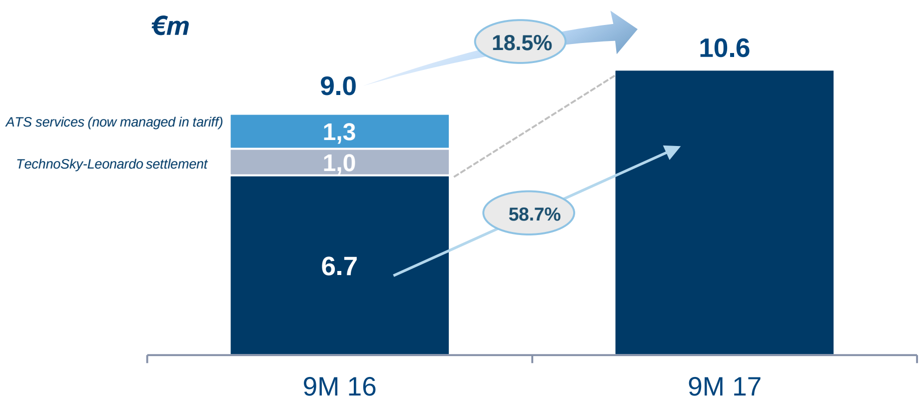
(1) Excluding exempt flights not communicated to Eurocontrol (for 9M 17 en-route 2,473 SUs, terminal 745 SUs)

Net Sales Performance

Net sales breakdown



Non-regulated Revenue

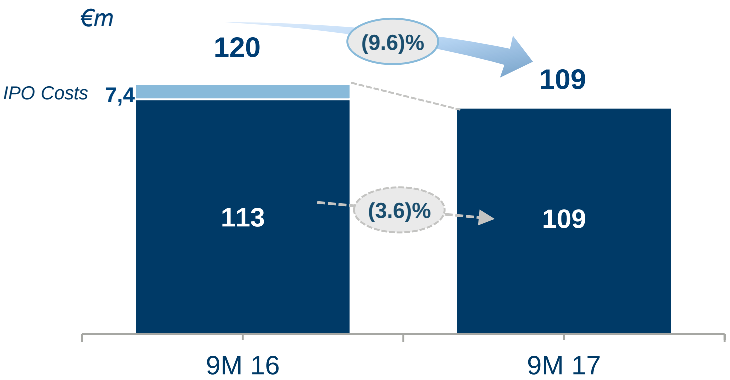


- Net sales growth of 1.6% YoY driven by strong increase in Revenue from Operations, up 6.9%, offset by negative Balance
- Solid En-route revenue growth of 4.8% YoY driven by international traffic and overflights, also result of Free Route, as well as mild rebound of national traffic
- Terminal revenue growth of 12.4% mainly driven by traffic growth in TZ2 and TZ3 and application of natural tariff on TZ3, despite significantly lower tariffs applied in TZ1 and TZ2 vs 2016
- Negative Balance of -€21.8m, vs positive Balance of €10m in 2016, mainly as a combination of:
  - Positive En-route traffic balance partly offset by negative inflation balance
  - Terminal Balance in 9M 16 of positive €18.7m in relation to TZ3 state contribution, no longer present in 2017 as natural tariff is applied to TZ3; negative TZ3 balance of -€11.2m in 9M 17 due to higher traffic and lower costs vs planned
  - Balance reversal applied in 9M 17 tariff for a negative amount of -€18m (vs -€11m in 9M 16)
- Other Operating Revenue mainly includes opex contributions for Safety and Security of €22.5m, and European financing related to common projects
- 18.5% increase in **Non-regulated** revenue driven by:
  - Flight inspection services provided to Saudi Arabia and Romania and Training services, mainly to Libyan controllers
  - Contracts acquired in UAE, Libya, Albania and Morocco and portion of multi-year contract in Malaysia
  - 9M 16 revenue included one-off of €1m for TS-Leonardo settlement and €1.3 m of ATS revenue included in tariff in 2017

(1) Other includes balance, non-regulated activities, opex contributions, exemptions and other income.

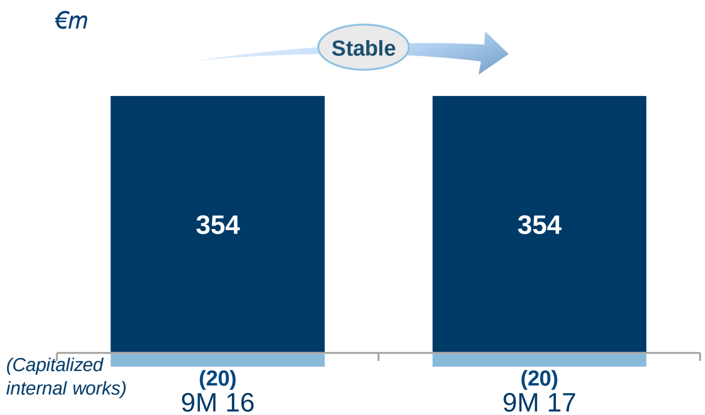
Solid execution on efficiency plan

Delivering strong external cost efficiency



- External opex optimization continuing to deliver significant results with reduction of €11.5m YoY (-9.6%, -3.6% excl. IPO costs in 9M 16):
  - Lower purchasing costs due to more effective spare parts management
  - Lower Eurocontrol contributions
  - Full benefit of renegotiation of insurance contract, signed in June 2016, providing savings of €2.4m in 9M 17
  - Partially offset by higher costs for professional services sustained by ENAV Asia Pacific, functional to contract in Malaysia, and costs related to listed company requirements

Personnel Costs Under Control

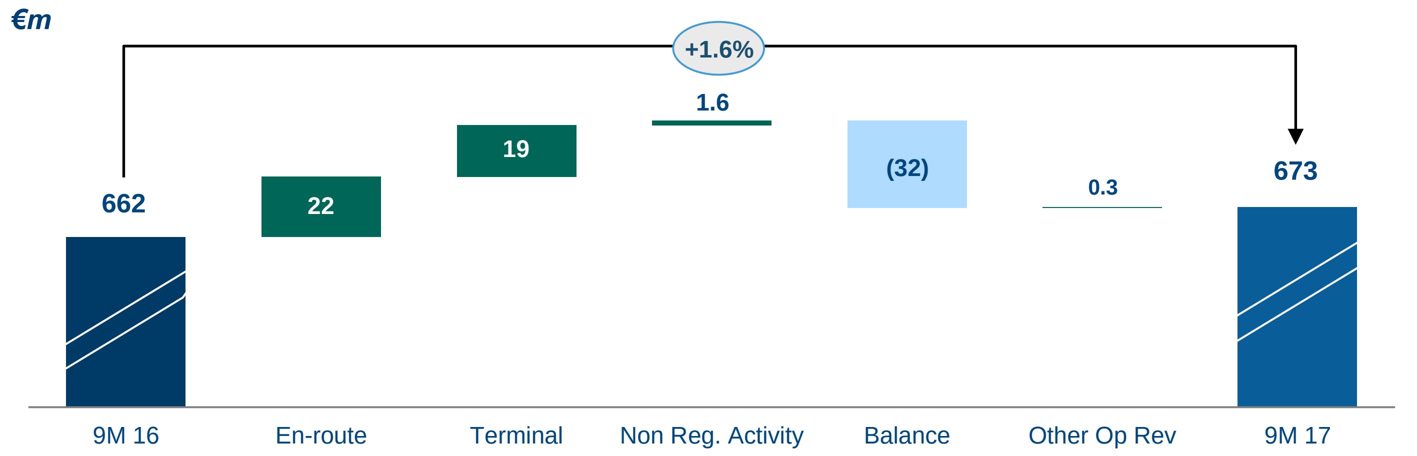


- Personnel Costs stable YoY:
  - Marginal salary increase of 0.6% includes assumption on potential effect of contract renewal partially compensated by headcount reduction (-42 avg headcount YoY, headcount as of Sept. 30, 2017 is 4,251))
  - Increase in overtime related to Free Route implementation partly offset by lower social security contributions and lower voluntary redundancy plan costs in 9M 17 vs 9M 16
- Contract renewal discussions still in early stages due to trade union focus on Alitalia issues; old contract remains in force until new one is in place

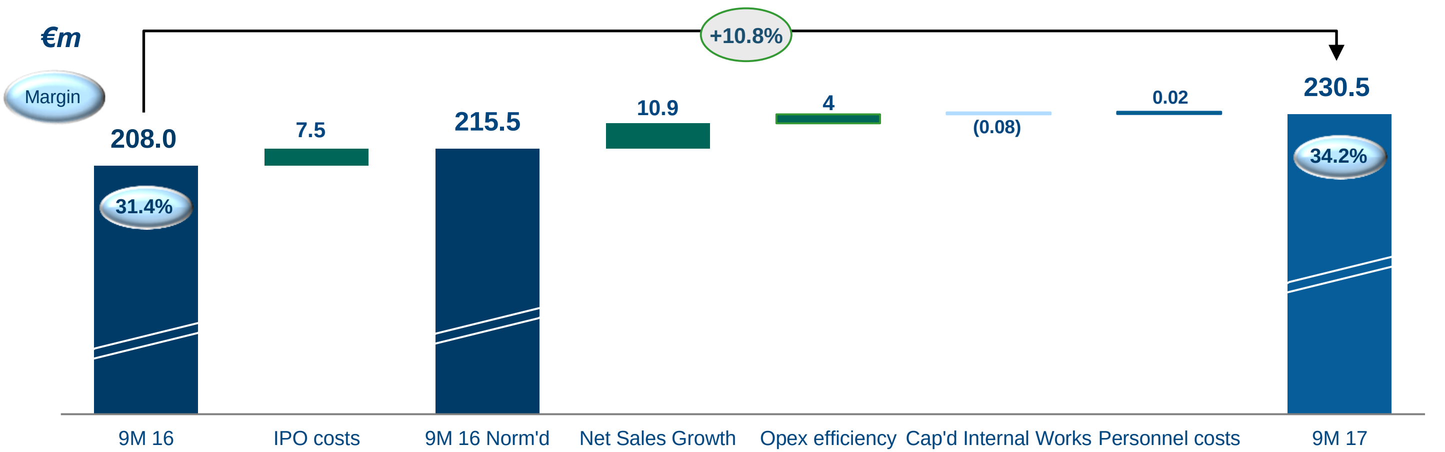
9M 2017 Financials Overview

Net Revenue and EBITDA Development

Net Sales



EBITDA



- **Solid net sales increase of 1.6%** YoY driven by strong Operating revenue performance, both in en-route and terminal, partly offset by negative Balance
- **Significant reduction in Balance** mainly due to TZ3 Balance in 1H 16 and not present in 2017, cost recovery balance effect on TZ3 in 9M 17, and higher balance reversal in tariff in 9M 17
- **EBITDA increases 10.8%** to **€230.5m** driven by top line growth and cost efficiency, EBITDA margin improves 280 bps YoY to 34.2%

Consolidated P&L and Main Movements Below EBITDA

Euro '000	9M 2017	9M 2016	Change	%
Revenue from operations	669.345	626.388	42.957	6,9%
Balance	(21.786)	10.094	(31.880)	-315,8%
Other operating income	25.429	25.623	(194)	-0,8%
Total Net Revenue	**672.988**	**662.105**	**10.883**	**1,6%**
Personnel costs	(354.188)	(354.164)	(24)	0,0%
Capitalized internal works	20.396	20.315	81	0,4%
Other net operating costs	(108.734)	(120.237)	11.503	-9,6%
Total operating costs	**(442.526)**	**(454.086)**	**11.560**	**-2,5%**
EBITDA	**230.462**	**208.019**	**22.443**	**10,8%**
EBITDA margin	*34,2%*	*31,4%*	*2,8%*	*9,0%*
D&A (net of capex contributions)	(96.540)	(100.113)	3.573	-3,6%
Provisions and writedowns	(4.912)	(447)	(4.465)	998,9%
EBIT	**129.010**	**107.459**	**21.551**	**20,1%**
Financial income / (expenses)	(1.559)	(2.630)	1.071	-40,7%
Profit before income taxes	**127.451**	**104.829**	**22.622**	**21,6%**
Income taxes	(37.812)	(34.393)	(3.419)	9,9%
Net Income	**89.639**	**70.436**	**19.203**	**27,3%**

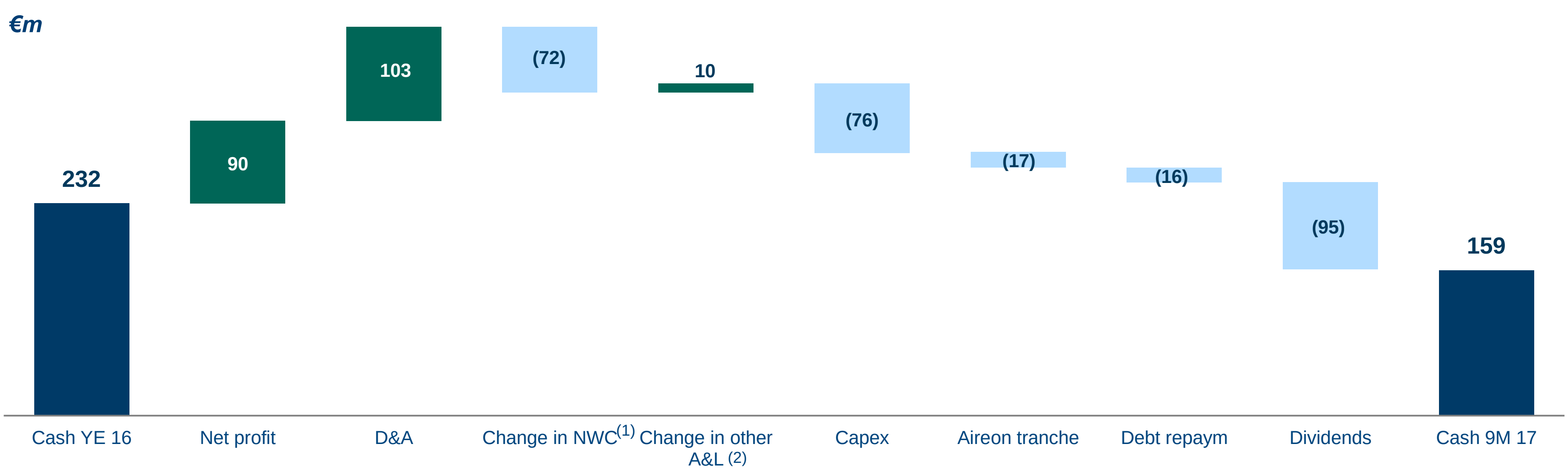
(Change heading spans the Change and % columns.)

- Reduction in D&A of 3.6% YoY as a result of investments which have still not entered depreciation cycle
- Increase in Provisions and write-downs in 9M 17 YoY mainly due to €3.5m euro impairment loss on trade receivables for 2 unpaid invoices from Alitalia
- Reduction in Financial expenses in 9M 17 vs previous year mainly due to financial income in 9M 17 from balance receivables actualization and stable interest cost
- Income taxes higher than previous year due to higher taxable income; lower effective tax rate in 2017
- Net profit of €89.6m, up 27.3% YoY

Cash Flow and Capitalization

- **Cash balance** decreases by €73m mainly as a result of:
  - Capex and fourth and final tranche of Aireon
  - Debt repayments of €16m
  - Dividends paid of €95.3m
  - Net Working Capital (1) absorption, mainly due to higher trade receivables from EC (for higher traffic in Aug-Sept not yet due and Alitalia credit) and from Italian Ministry of Transportation
- **Net debt of €157m** as of September 30, 2017 providing significant financial and operating flexibility

	Maturity		Total debt outstanding/cash (€m)
	Current (<1 year)	Non-current	
Total Debt	**32**	**284**	**316**
Cash & Equivalents			**159**
Net Debt			**157**
Net Debt / 9M17 LTM EBITDA			**0.6x**



(1) Change in trade payables, trade receivables and Inventories
(2) Change in Other current and non-current assets and liabilities, change in income tax payables and social security payables

Key Take Aways

- Top-line growth driven strong traffic trends in most significant quarters of the year, despite specific airline issues
- Continuing to deliver strong execution on cost efficiency measures, driving margin expansion and cash flow
- Non-regulated business continues to maintain solid growth trend
- Maintaining leadership role in ATM innovation

Guidance confirmed :

- Low single-digit net revenue growth
- EBITDA margin ~30%
- DPS for 2018 expected to grow by 4% over 2017
- Capex of €115-120m

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