we look up

First Half 2018 Financial Results

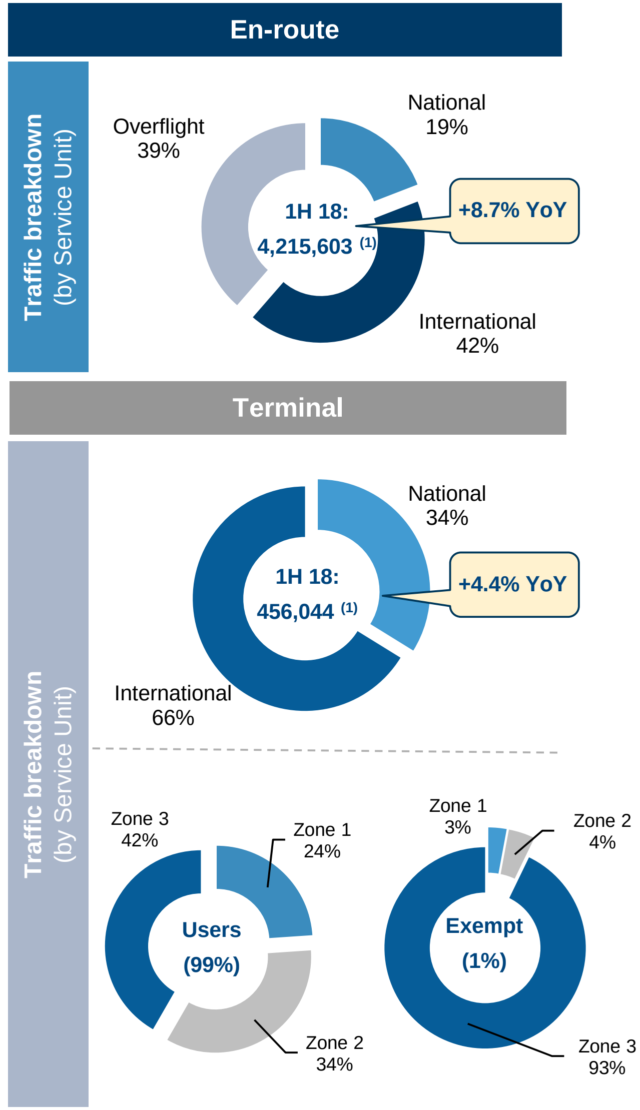
August 2, 2018

1H 2018 Highlights

- **Net Revenue increases by 0.2%** YoY to **€411.0m**
- **Strong growth in revenue from operations,** driven by a further acceleration in traffic
  - Significant growth in en-route revenue, up 9.3% to €301.3m
  - Marginal increase in terminal revenue, up 0.7% to €102.8m
  - Non-regulated revenue at €6.4m
  - Negative Balance at €(24.0)m, as a result of materially higher balance reversal in tariff in 1H 2018 and no en-route traffic balance creation as a consequence of strong traffic
- **EBITDA at €111.5m,** up 0.5% YoY
- **Net profit of €33m, up 22.2%** over previous year
- **Net debt / LTM EBITDA of 0.6x**
- **Labour contract** renewed
- **New organizational structure** in place to implement new operating model
- **2018 FY guidance confirmed**

1H 2018 Main Traffic Trends

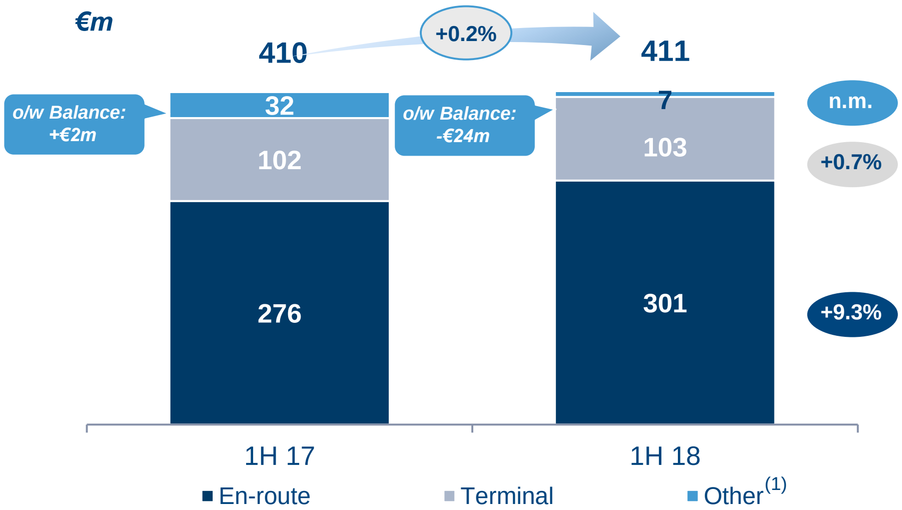
- **En-route** service units **increase 8.7%**[1] YoY driven by significant growth in Q2 18 (+9.5%) confirming the trend of Q1 18 (+7.6%):
  - Overflight service units growth further accelerating to 14.5% YoY
  - Strong ongoing performance in International traffic, with service units up 7.6% YoY
  - Positive performance in National traffic, with service units increasing 2.6% YoY
- Solid growth trends in **Terminal traffic** with service units up **4.4%[1]** YoY:
  - Growth in International traffic, up 5.5% YoY, in particular in TZ3 (+7.5%) and TZ1 (+6.6%)
  - Rebound in national traffic with service units growth in TZ2 (+7.5%) and TZ3 (+1.2%), marginally offset by 0.3% decline in TZ1 (mainly related to Alitalia issues)
- Best in class performance amongst "Big 5" countries in terms of delay per assisted flight



(1) Excluding exempt flights not communicated to Eurocontrol (for 1H 18 en-route 858 SUs, terminal 409 SUs)

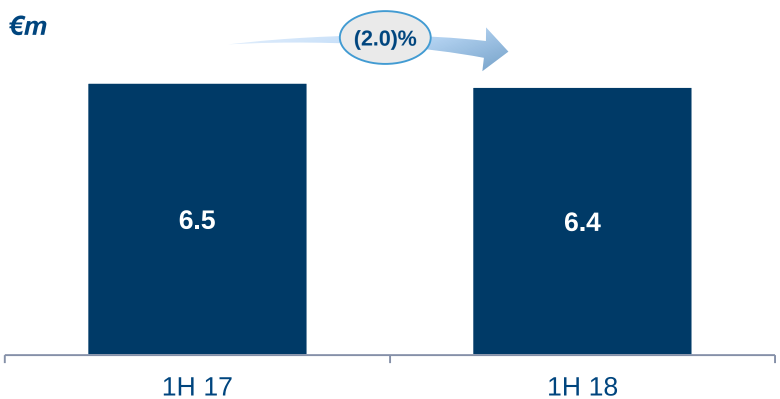
Net Sales Performance

Net sales breakdown



- Net sales growth driven by strong performance in Revenue from Operations, up 6.5%, offset by negative balance
- Significant en-route revenue growth of 9.3% YoY driven by exceptionally high overflight and international traffic, as well as growth in national traffic
- Positive performance in terminal revenue, up 0.7% YoY, as a combined effect of a solid increase in terminal traffic (+4.4%) and lower tariffs applied in all zones
- Negative balance of €(24.0)m, vs. positive balance of €1.6m in 1H 17, mainly as a result of:
  - Higher balance reversal applied in 1H 18 tariff for a negative amount of €24.7m (vs -€12m in 1H 17)
  - No new balance created, since the delta between actual and planned SUs in 1H 18 within *dead-band* range of +/-2%
  - Terminal balance of approximately €(0.2)m as combination of positive balance on TZ1 and TZ3 and negative balance on TZ2
- Other Operating Revenue mainly includes opex contributions for Safety and Security (under law 248/05) of €15m, and European financing related to common projects
- Revenue from non-regulated business at €6.4m with solid increase from contracts in Libya and Malaysia compensating the final portion of the contract in UAE

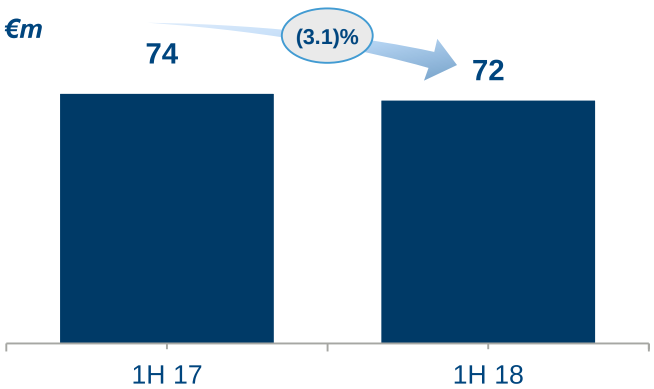
Non-regulated Revenue



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

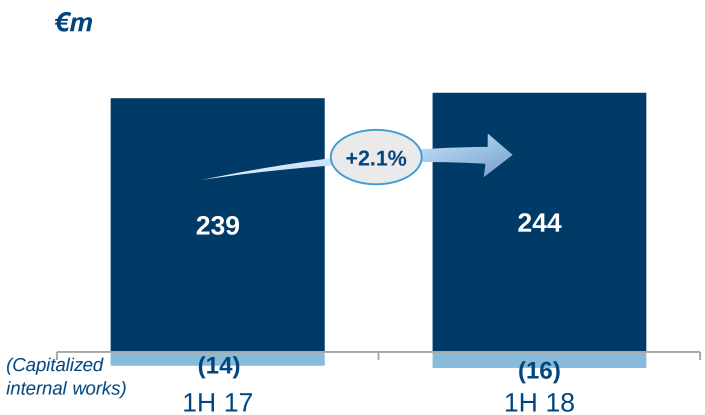
Cost Efficiency on Track, Labor Contract Renewed

Ongoing external cost optimization



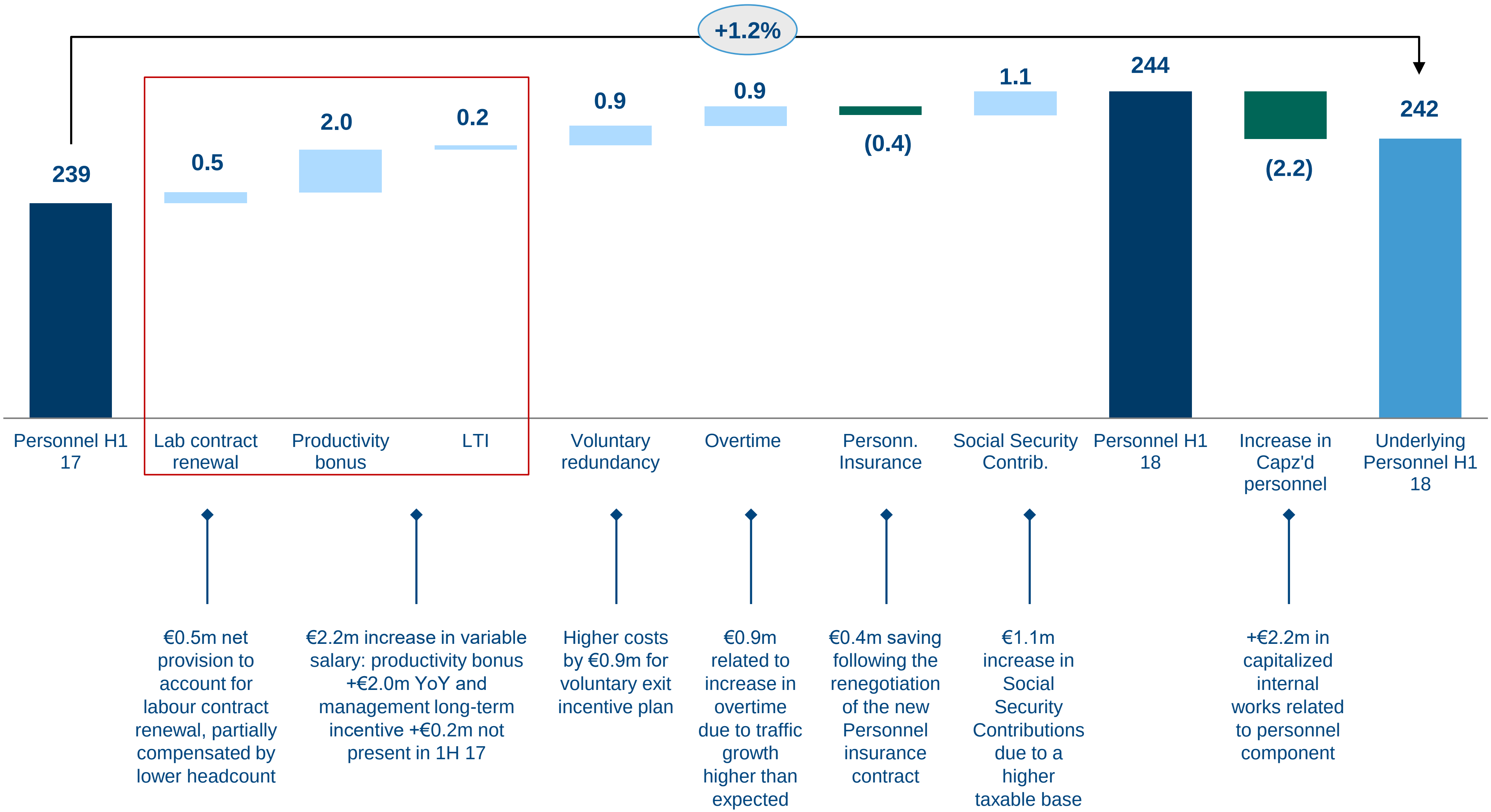
- **External opex efficiency plan** delivering **strong results** with a further reduction of €2.3m YoY:
  - Lower telecommunication costs driven by contract renegotiation and adoption of new E-NET fiber network
  - Lower lease costs following closure of office rental contracts in favour of owned premises
  - Increased insourcing of facilities services and reduction of external consultancies
  - Partially offset by higher equipment purchases due to increased activity performed by TechnoSky on ENAV's assets

Personnel Cost affected by contract renewal



- **Marginal Personnel Costs increase** as a combination of:
  - Higher expenditures related to direct personnel costs (+€5m, +2.1% YoY)
  - Increase in capitalized internal works, mainly personnel (+€2.2m, +16% YoY)
- 2017-2019 **Labour contract renewal economic terms** finalized:
  - One-off premium to compensate for inflation in 2017
  - Increase in fixed salary in line with 2018-2019 inflation
  - Increase in variable salary
  - Hiring of 80 new employees to be finalized by the end of 2019, as defined in the 2018-2022 Business Plan

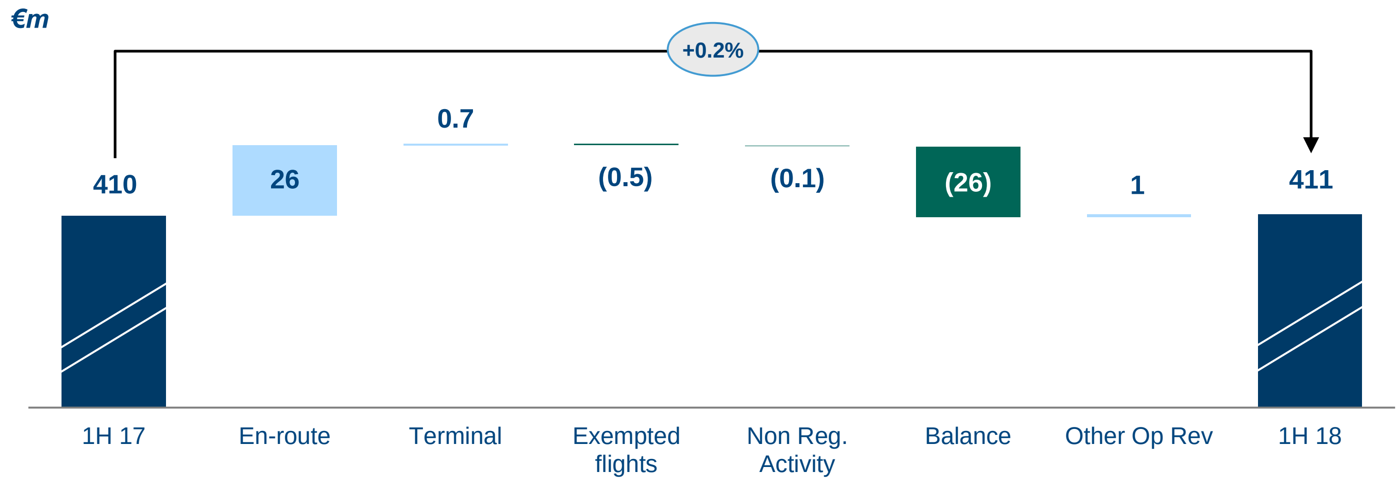
Personnel Costs Evolution



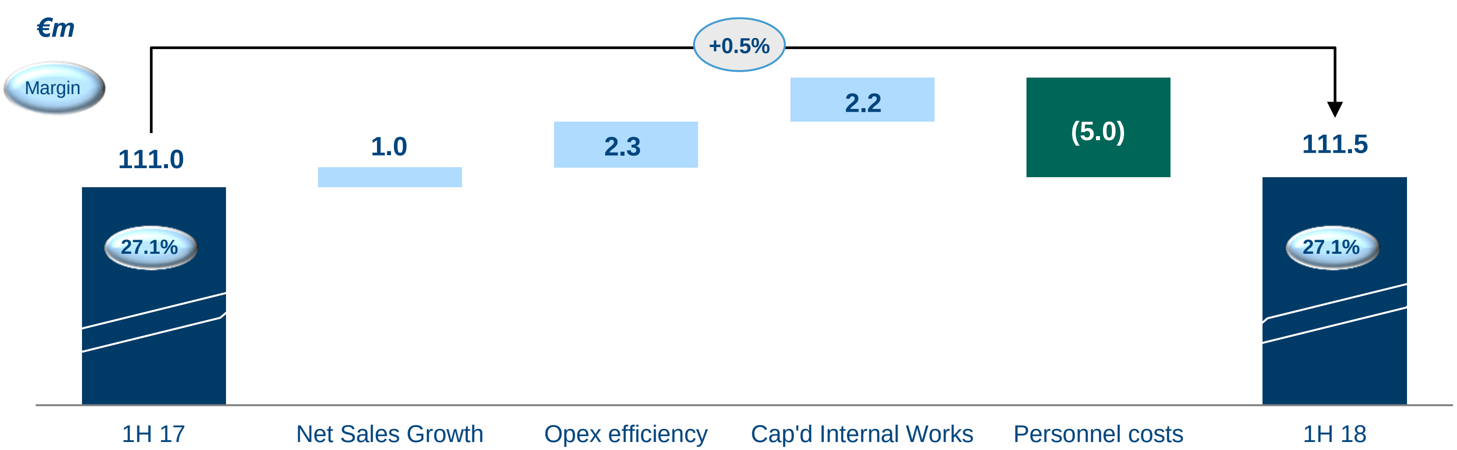
1H 2018 Financials Overview

Net Revenue and EBITDA Development

Net Sales



EBITDA



- **Net sales increase of 0.2%** YoY driven by solid Operating revenue performance, mainly in en-route, offset by negative Balance
- **Balance** revenue decreases substantially YoY by €26m mainly due to higher balance reversal in tariff in 1H 18
- **EBITDA increases 0.5%** to **€111.5m** driven by top line dynamics and cost efficiency, offset by higher personnel cost due to impact of contract renewal; EBITDA margin stable at 27.1%

Consolidated P&L and Main Movements Below EBITDA

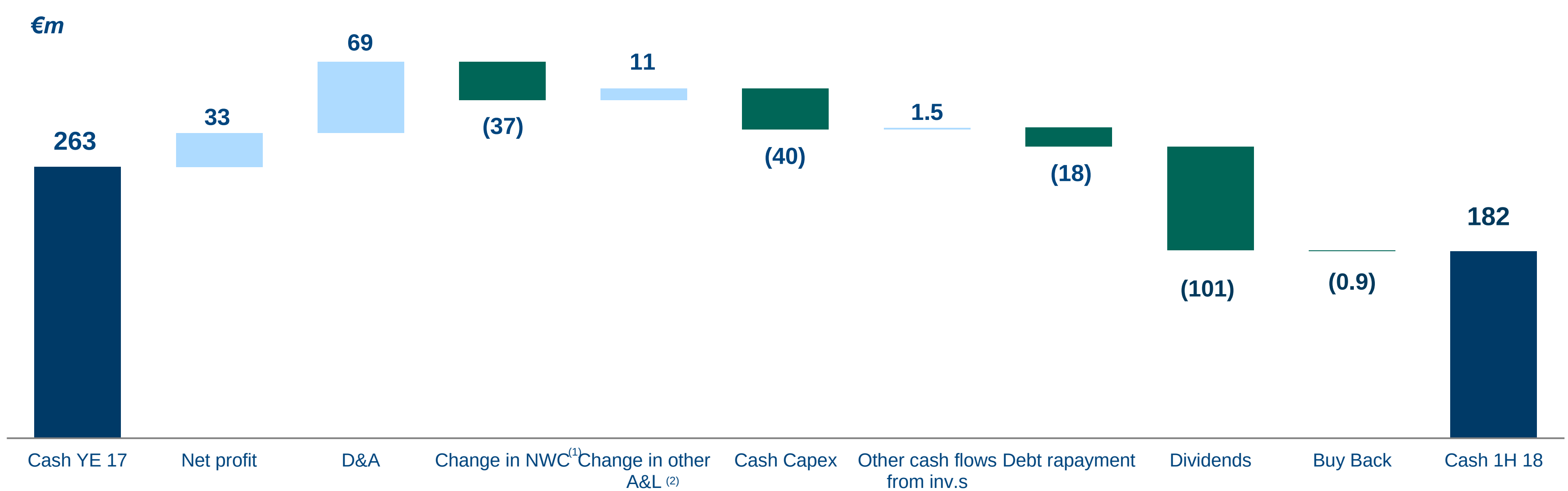
Euro '000				Change
	1H 18	**1H 17**	**Amount**	**%**
Revenue from operations	417,147	391,534	25,613	6.5%
Balance	(24,026)	1,608	(25,634)	n.a
Other operating income	17,870	16,857	1,013	6.0%
Total Net Revenue	**410,991**	**409,999**	**992**	**0.2%**
Personnel costs	(244,092)	(239,091)	(5,001)	2.1%
Capitalized internal works	16,116	13,905	2,211	15.9%
Other net operating costs	(71,504)	(73,819)	2,315	(3.1)%
Total operating costs	**(299,480)**	**(299,005)**	**(475)**	**0.2%**
EBITDA	**111,511**	**110,994**	**517**	**0.5%**
EBITDA margin	***27.1%***	***27.1%***		
D&A (net of capex contributions)	(64,536)	(66,009)	1,473	(2.2)%
Provisions and writedowns	1,315	(5,168)	6,483	n.m.
EBIT	**48,290**	**39,817**	**8,473**	**21.3%**
EBIT margin	***11.7%***	***9.7%***		
Financial income / (expenses)	(1,923)	(631)	(1,292)	n.m.
Profit before income taxes	**46,367**	**39,186**	**7,181**	**18.3%**
Income taxes	(13,374)	(12,178)	(1,196)	9.8%
Net Income	**32,993**	**27,008**	**5,985**	**22.2%**

- D&A marginally decreases by €1.5m, due to normalization of CapEx in recent years
- Positive provisions and write-downs, mainly due to certain positive settlements and impairment loss for Alitalia credit in 1H 17 before court administrative process began
- Higher financial expenses in 1H 18 vs previous year as a combined effect of lower financial income in 1H 18 from balance receivables actualization and higher interest due to EIB facility drawdown
- Income taxes higher than previous year, mainly due to the effect of deferred taxes
- Net profit of €33m, up 22.2% YoY

Cash Flow and Capitalization

- Cash balance decreases by €82m in 1H 18 vs YE 17, as a result of:
  - Capex of €53.3m, cash Capex of €39.9m
  - Debt repayments of €18.3m
  - Dividends paid and shares buy back, respectively €101m and €0.9m
  - Net Working Capital(1) absorption, mainly due to the dynamics of trade receivables and payables
- Net debt of €181m as of June 30, 2018 providing significant financial and operating flexibility

	Maturity		Total debt outstanding/cash (€m)
	Current (<1 year)	Non-current	
Total Debt	**21**	**344**	**365**
Cash & Equivalents			**182**
Financial Receivables	0.03	2	2
Net Debt			**181**
Net Debt / 1H 18 LTM EBITDA			**0.6x**

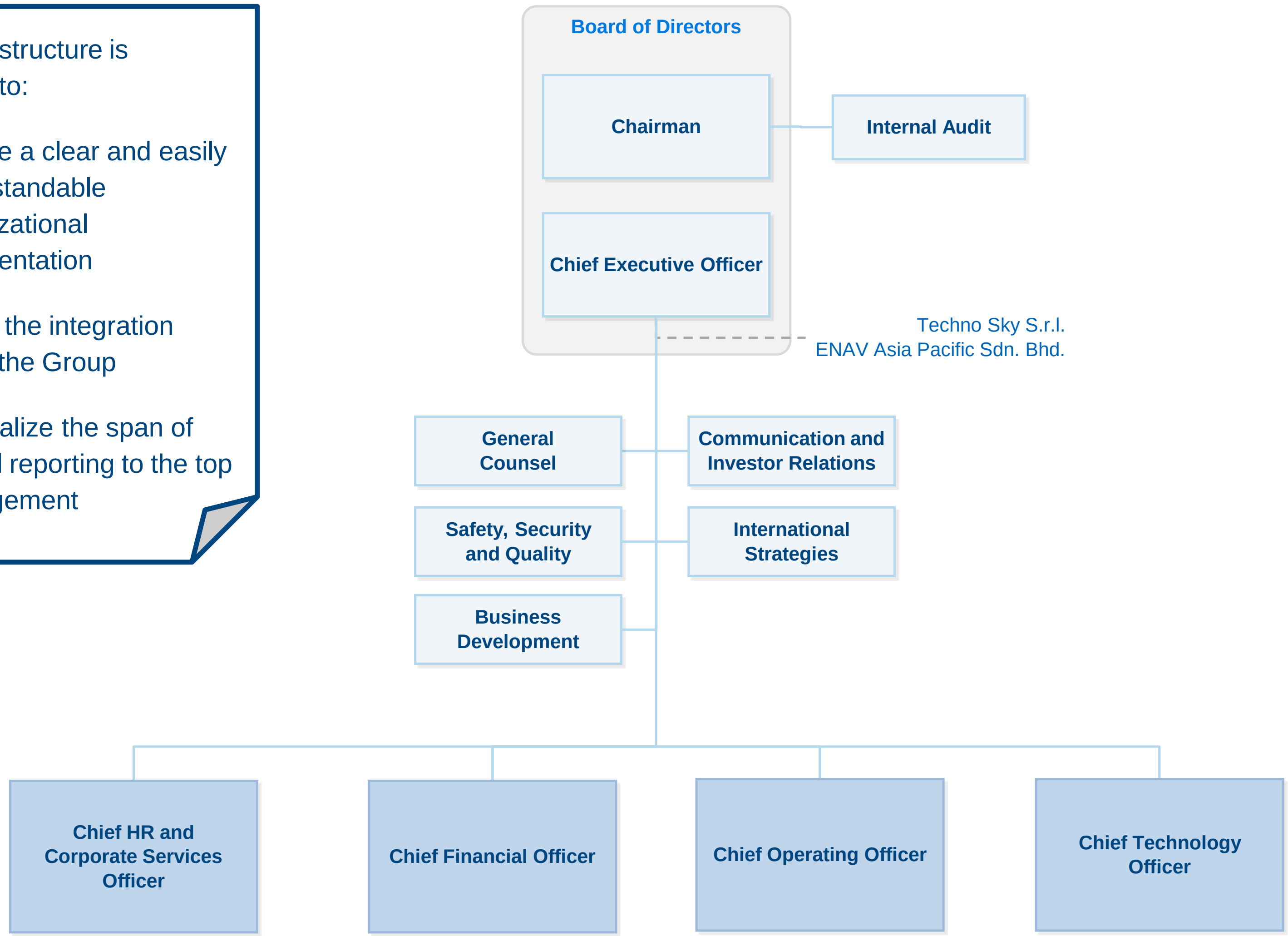


(1) Change in trade payables, trade receivables and Inventories
(2) Change in Other current and non-current assets and liabilities, change in income tax payables and social security payables

New Organizational Structure

The new structure is intended to:

- Provide a clear and easily understandable organizational representation
- Foster the integration within the Group
- Rationalize the span of control reporting to the top management

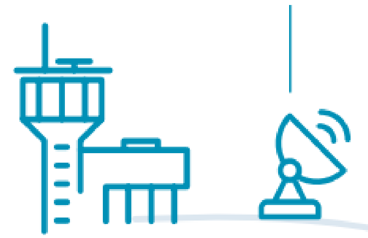


Guidance Confirmed

Flat to low single-digit net revenue growth, with decrease in regulated tariff offset by expected growth in traffic

EBITDA margin stable YoY at approx. 32%

Capex of ~ €125m



2019 DPS expected to grow by 4% over 2018

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