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we look up

First Half 2017 Financial Results

August 9, 2017

1H 2017 Highlights

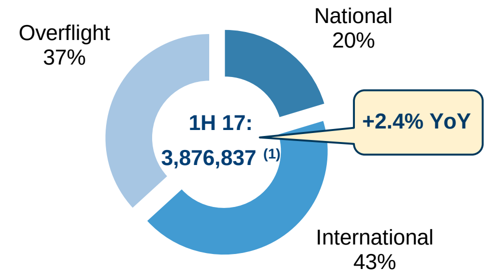
- **Solid growth in revenue from operations,** driven by strong trends in traffic, coupled with cost streamlining, lead to 180 bps increase in marginality
  - **Net Revenue increases by 0.3%** YoY to **€410.0m**
    - En-route revenue up 3.9% to €275.8m
    - Terminal revenue increases by 11.5% to €102.1m
    - Non-regulated revenue stable at €6.5m, double-digit underlying growth
    - Significant decrease in Balance to €1.6m mainly due to TZ3 balance in 1H 16 and higher balance reversal in tariff in 1H 17
  - **EBITDA increases by 7.3% YoY to €111.0m,** excluding €2.8m IPO related costs in 1H 16 EBITDA grows by 4.5%
  - **Net profit of €27m, up 21.7%** over previous year
  - **Net debt / LTM EBITDA of 0.9x**
  - Capex of €58m in 1H 2017
  - 2017 FY guidance confirmed, Capex guidance raised to €115-120m

1H 2017 Main Traffic Trends

- **En-route** service units **increase 2.4%**[1] YoY driven by significant growth in Q2 17 (+4.9%) more than compensating weak Q1:
  - Positive performance in International traffic, with service units up 2.2% YoY
  - Solid performance in National traffic, with service units increasing 1.4% YoY
  - Overflight service units continue to grow, up 3.4% YoY
- Solid growth trends in **Terminal traffic** with service units up **2.4%[1]** YoY:
  - Growth in International traffic, up 3.8% YoY, in particular in TZ2 (+4.7%) and TZ3 (+8.1%)
  - Stable national traffic with service units growth in TZ2 (+1.9%) and TZ3 (+2.1%) offset by 6.7% decline in TZ1, also due to Alitalia issues (Alitalia represents 43% of service units for TZ1)
- TZ3 traffic positively impacted by inclusion of Rimini and Comiso airports under ENAV perimeter
- Alitalia crisis is a concern for Italy in general and is visible in terminal zone 1 traffic trends in 1H 17; over medium term routes expected to be taken up by other airlines with limited effect on ENAV

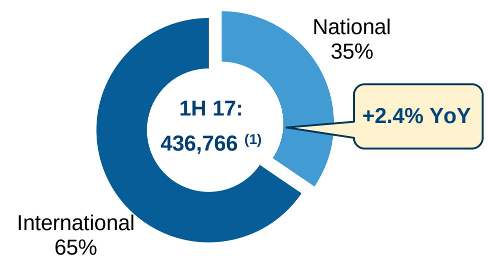
En-route

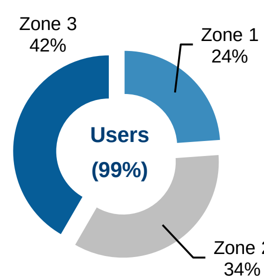
Traffic breakdown (by Service Unit)

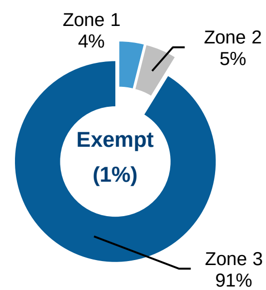


Terminal

Traffic breakdown (by Service Unit)



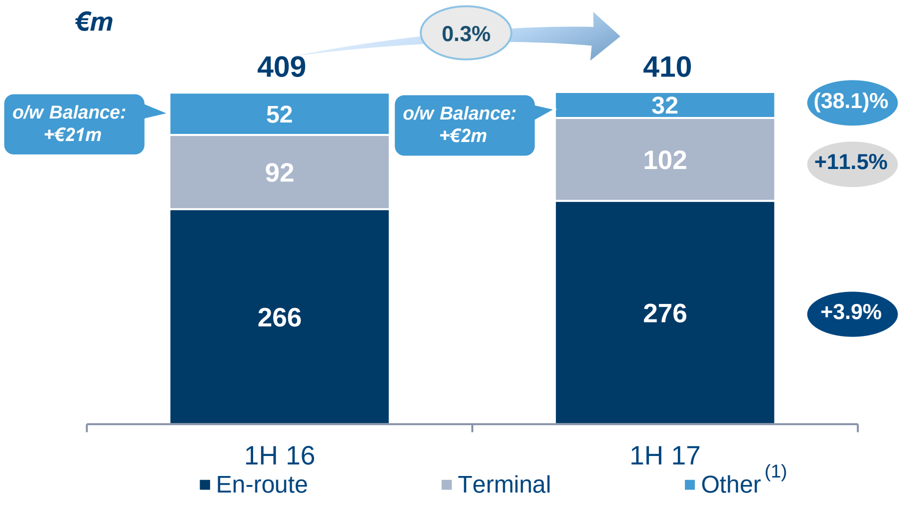




(1) Excluding exempt flights not communicated to Eurocontrol (for 1H 17 en-route 1,452 SUs, terminal 475 SUs)

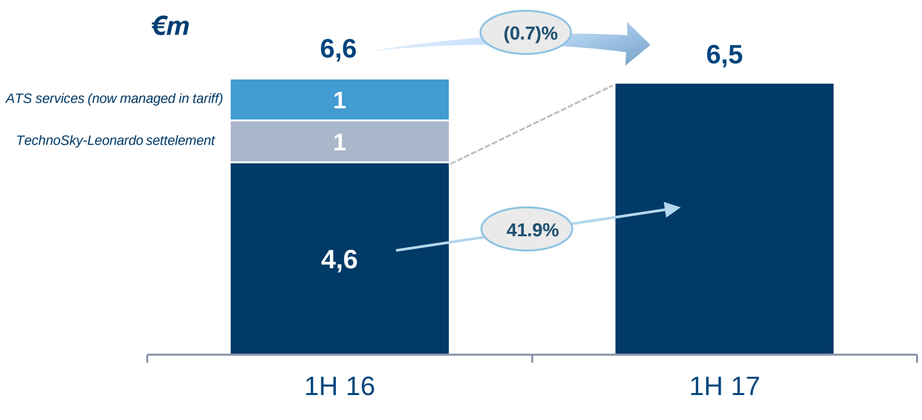
Net Sales Performance

Net sales breakdown



- Net sales growth driven by strong performance in Revenue from Operations, up 5.7%, offset by lower balance
- En-route revenue growth of 3.9% YoY driven by international traffic and overflights as well as positive national traffic
- Strong performance in terminal revenue, up 11.5% YoY, mainly driven by wider airports perimeter and application of natural tariff on TZ3, despite significantly lower tariffs applied in TZ1 and TZ2 vs previous year and weakness of TZ1 traffic
- Balance revenue of €1.6m, decreasing materially YoY, mainly as a combination of:
  - Terminal Balance recorded in 1H 16 for a positive amount of €18m in relation to the TZ3 state contribution, no longer present in 2017 as natural tariff is applied to TZ3
  - Balance reversal applied in 1H 17 tariff for a negative amount of -€12m (vs -€7.4m in 1H 16)
- Other Operating Revenue mainly includes opex contributions for Safety and Security (under law 248/05) of €15m, and European financing related to common projects
- Stable **non-regulated** revenue as a combined result of:
  - Flight inspection services provided to Saudi Arabia and Romania and Training services, also to Libya
  - Contracts acquired in UAE, Libya, Albania and Morocco and portion of multi-year contract in Malaysia
  - 1H 16 revenue included one-off of €1m for TS-Leonardo settlement and €1m of ATS revenue no longer applicable in 2017

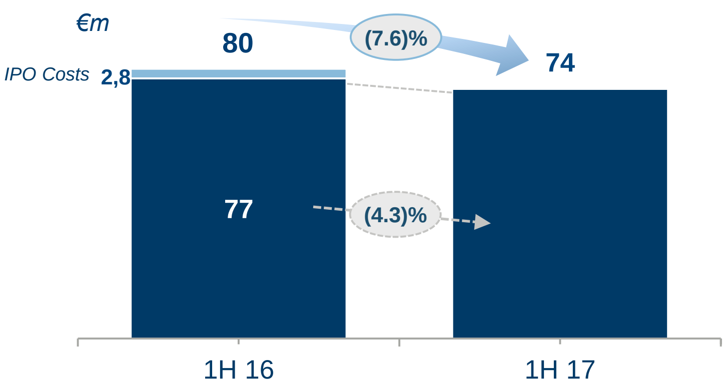
Non-regulated Revenue



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

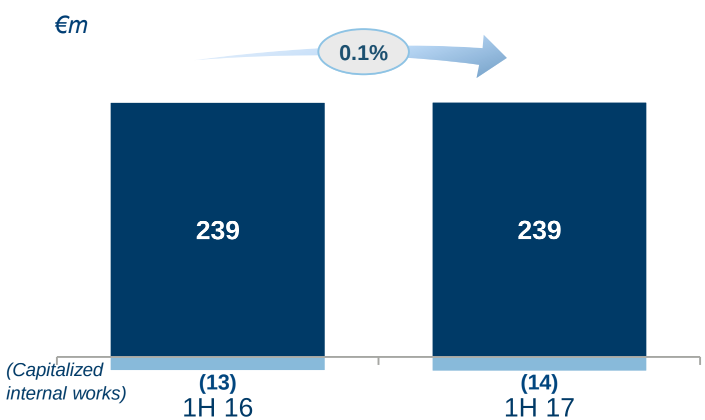
Solid execution on efficiency plan

Delivering strong external cost efficiency



- External opex efficiency plan delivering strong results with reduction of €6.1m YoY (-7.6%, -4.3% excl. IPO costs in 1H 16):
  - Full benefit of renegotiation of insurance contract, signed in 2016, providing savings of €2.5m in 1H 17
  - Lower purchasing costs due to more effective spare parts management
  - Lower Eurocontrol contributions
  - Partially offset by higher costs for professional services sustained by ENAV Asia Pacific, functional to contract in Malaysia, and by TechnoSky

Personnel Costs Under Control

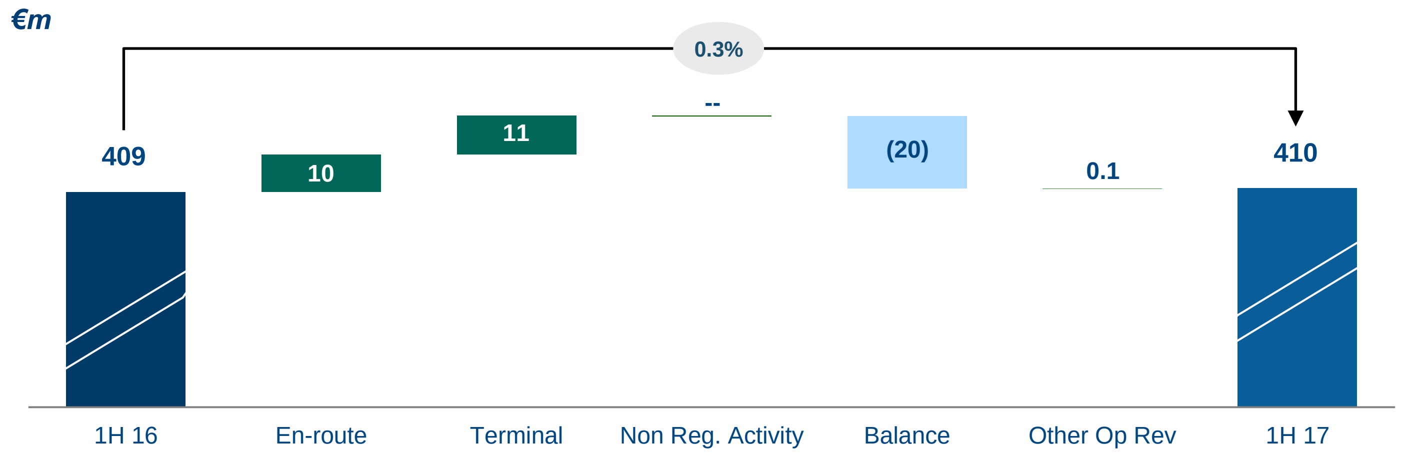


- Personnel Costs stable YoY:
  - Increase in overtime related to Free Route implementation partly offset by lower headcount in the period (38 less resources YoY, of which 7 managers), voluntary redundancy plan in 1H 17 with exit of 5 resources
  - Higher capitalized internal works driven by increase in investment projects carried out by TechnoSky
- 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

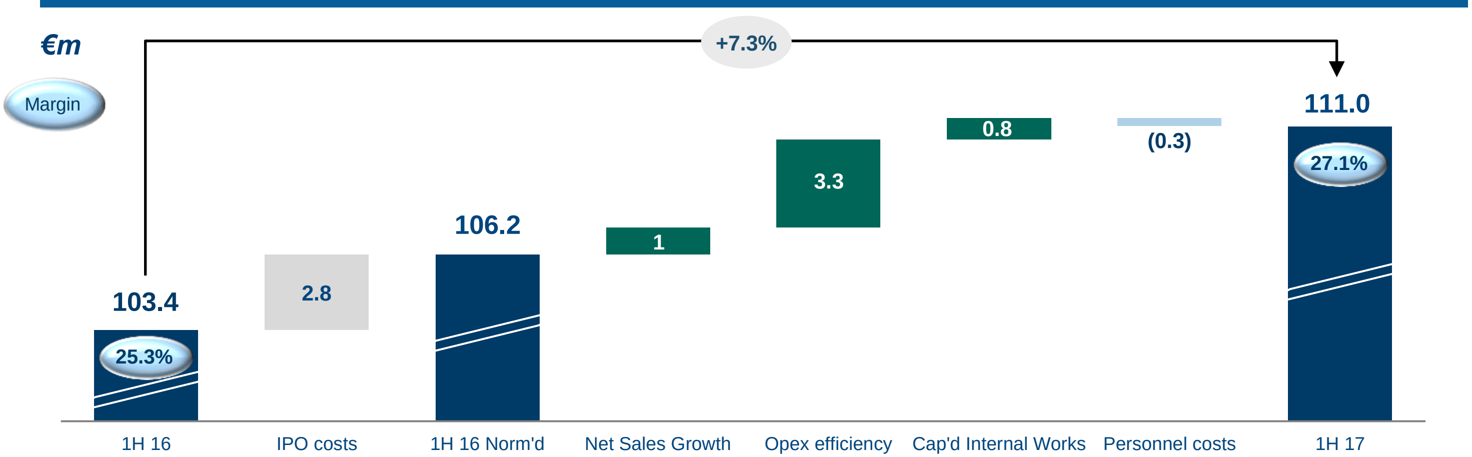
1H 2017 Financials Overview

Net Revenue and EBITDA Development

Net Sales



EBITDA



- **Net sales increase of 0.3%** YoY driven by solid Operating revenue performance, both in en-route and terminal, offset by lower Balance
- **Balance** revenue decreases substantially YoY by €20m mainly due to TZ3 Balance in 1H 16 no longer present in 2017, and higher balance reversal in tariff in 1H 17
- **EBITDA increases 7.6%** to **€111m** driven by top line growth and cost efficiency, EBITDA margin increases 180 bps YoY to 27.1%

Consolidated P&L and Main Movements Below EBITDA

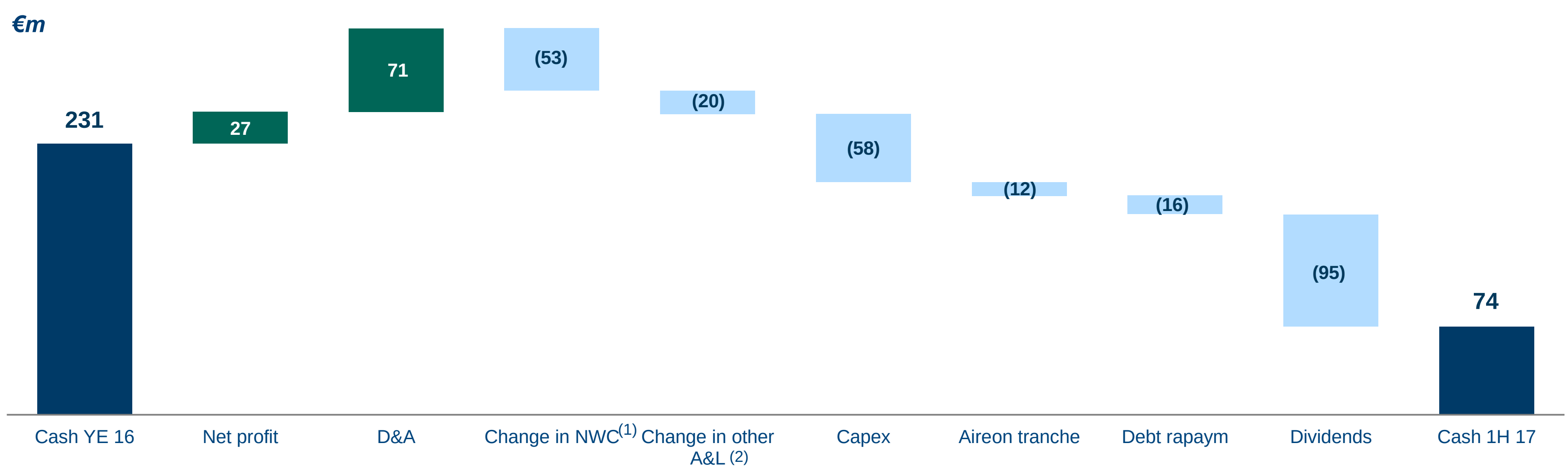
Euro '000	1H 17	1H 16	Amount	Change %
Revenue from operations	391.534	370.496	21.038	5,7%
Balance	1.608	21.457	(19.849)	(92,5)%
Other operating income	16.857	16.996	(139)	(0,8)%
Total Net Revenue	**409.999**	**408.949**	**1.050**	**0,3%**
Personnel costs	(239.091)	(238.770)	(321)	0,1%
Capitalized internal works	13.905	13.145	760	5,8%
Other net operating costs	(73.819)	(79.922)	6.103	(7,6)%
Total operating costs	**(299.005)**	**(305.547)**	**6.542**	**(2,1)%**
EBITDA	**110.994**	**103.402**	**7.592**	**7,3%**
EBITDA margin	*27,1%*	*25,3%*	*1,8%*	*7,1%*
D&A (net of capex contributions)	(66.009)	(68.559)	2.550	(3,7)%
Provisions and writedowns	(5.168)	(217)	(4.951)	n.m.
EBIT	**39.817**	**34.626**	**5.191**	**15,0%**
EBIT margin	**9,7%**	**8,5%**	**1,2%**	**14,7%**
Financial income / (expenses)	(631)	(2.094)	1.463	(69,9)%
Profit before income taxes	**39.186**	**32.532**	**6.654**	**20,5%**
Income taxes	(12.178)	(10.337)	(1.841)	17,8%
Net Income	**27.008**	**22.195**	**4.813**	**21,7%**

- Increase in Provisions and write-downs in 1H 17 YoY mainly due to €3.5m euro impairment loss on trade receivables for 2 unpaid invoices from Alitalia
- Reduction in Financial expenses in 1H 17 vs previous year mainly due to financial income in 1H 17 from balance receivables actualization and stable interest cost
- Income taxes higher than previous year due to higher taxable income
- Net profit of €27m, up 21.7% YoY

Cash Flow and Capitalization

- **Cash balance** decreases by €157m mainly as a result of:
  - Capex and third 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 May-June not yet due and Alitalia credit) and from Italian Ministry of Transportation
- **Net debt of €244m** as of June 30, 2017 providing significant financial and operating flexibility

	Maturity		Total debt outstanding/cash (€m)
	Current (<1 year)	Non-current	
Total Debt	**34**	**284**	**318**
Cash & Equivalents			**73**
Financial Receivables			1
Net Debt			**244**
Net Debt / 1H 17 LTM EBITDA			**0.9x**



(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

- Solid top-line performance driven strong traffic in Q2 fully offsetting weak traffic trends in Q1 and specific airline issues
- Continuing to deliver strong execution on cost efficiency measures, driving margin expansion and cash flow
- Non-regulated business continues to perform well
- 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 guidance of €105-110m increased to €115-120m

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