



we look up

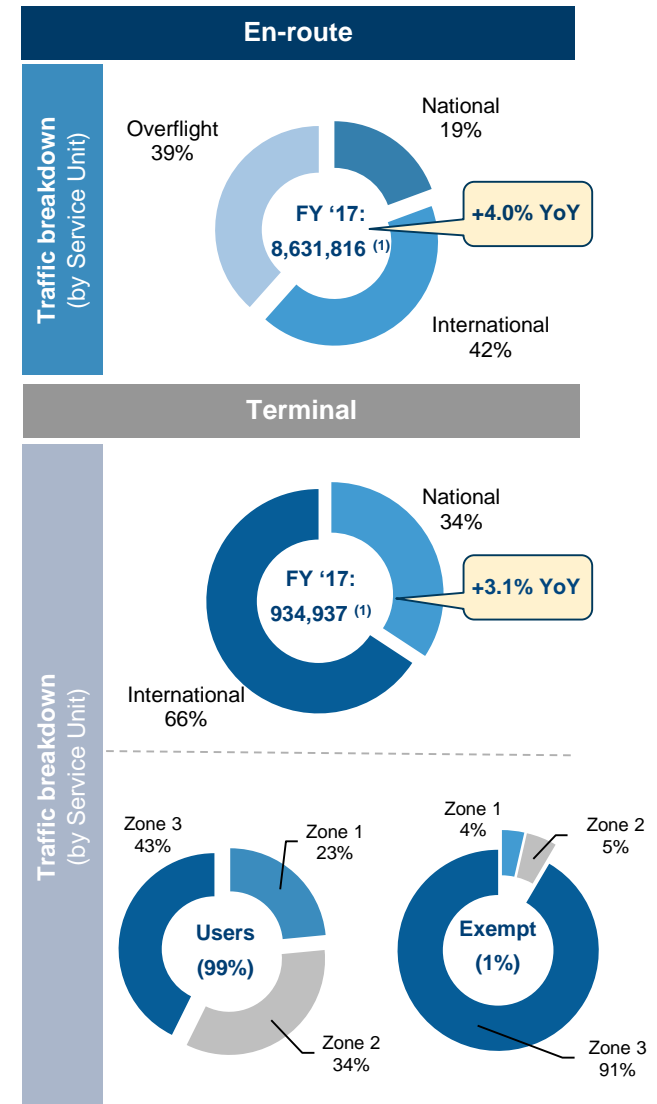
2017 Financial and Operating Performance & 2018-2022 Business Plan Overview

March 12, 2018



- **Total Net Revenue increases by 1.9% YoY to €881.8m** driven by **strong traffic growth** dynamics throughout the year
 - Revenue from Operations up 7.0% YoY to €863.2m
 - En-route revenue up 5.5% to €615.3m
 - Terminal revenue increases by 12.4% to €219.6m
 - Non-regulated revenue stable at €14.3m, +32.0% on an organic basis
 - Significant negative impact from Balance of -€17.2m in 2017 vs +€16.4m in 2016 mainly due to opposite TZ3 balance dynamics and higher balance reversal in tariff in 2017 vs previous year
- **EBITDA increases by 11.3% YoY to €283.6m**, driven by top-line growth and cost efficiency focus, delivering a 270bps improvement in margin to 32.2%; excluding IPO costs in 2016 EBITDA increases 8.1% YoY
- **Net profit of €101.5m, up 32.9%** over previous year
- **Net debt / EBITDA of 0.4x**
- **Capex of €115m** in 2017
- **Dividend per share of €0.1864** proposed for 2017 financial year (+6% over previous year)
- **2018-2022 Business Plan** approved by BoD

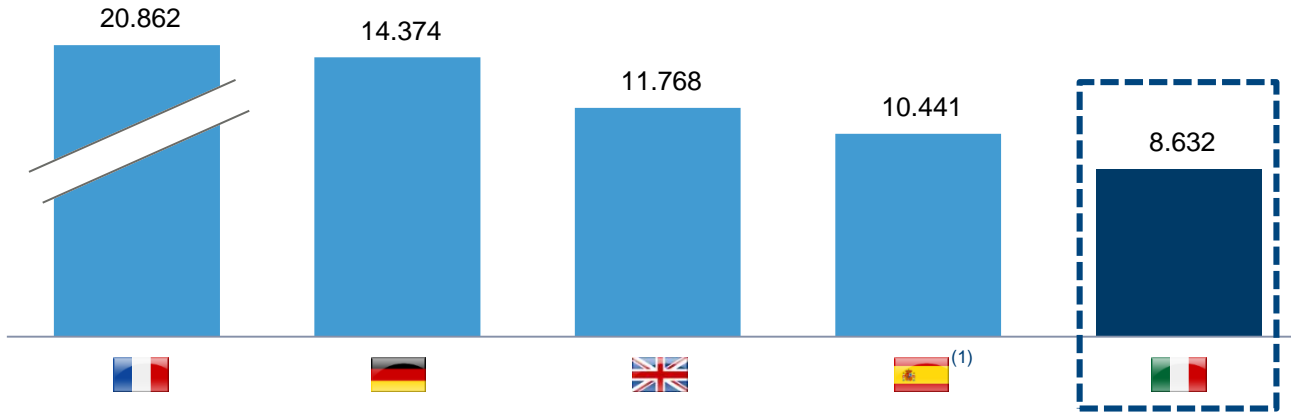
- Strong En-route** performance with service units **up 4.0%**⁽¹⁾ YoY driven by:
 - Solid increase in International traffic, with service units up 2.9% YoY
 - Acceleration in overflight traffic, with service units growing 5.9% YoY
 - Growth in national traffic, with service units increasing 2.8% YoY
- Solid growth trends in **Terminal traffic** with service units up **3.1%**⁽¹⁾ YoY:
 - Growth in International traffic, up 3.9% YoY, in particular in TZ2 (+4.5%) and TZ3 (+8.2%)
 - Positive trend in national traffic (+1.7%) with service units growth in TZ2 (+4.1%) and TZ3 (+3.9%) offset by 6.6% decline in TZ1, also due to Alitalia issues (Alitalia represents 42% of service units for TZ1)
- TZ3 traffic increase partly due to inclusion of Rimini and Comiso airports under ENAV perimeter
- Traffic trends positive despite Alitalia issues and ongoing limitations on Libyan airspace, confirming rapid substitution effect and favorable international traffic dynamics; en-route traffic accelerating in January 2018, up 7.6%



(1) Excluding exempt flights not communicated to Eurocontrol (for 2017 en-route 2,855 SUs, terminal 924 SUs)

5th Largest Air Navigation Service Provider in Europe

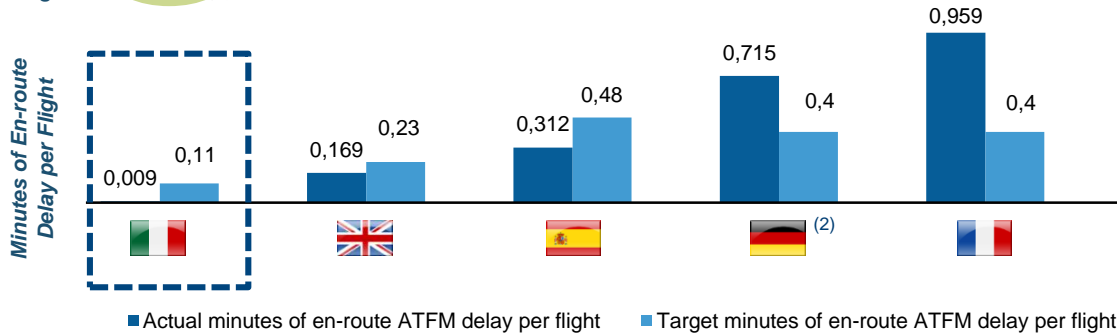
2017 En-route Service Units ('000)



Source: Eurocontrol

Performance Quality Leader in Europe (2017)

Actual vs. Target +82%



Source: ENAV elaborations on third parties data

Highlights

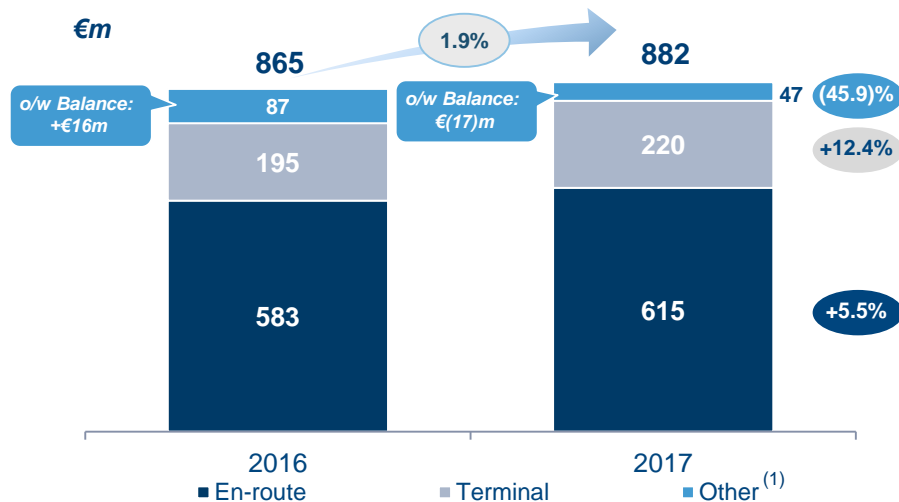
5th Largest Air Navigation Service Provider in Europe

Best-in-class performance in terms of quality and safety of services

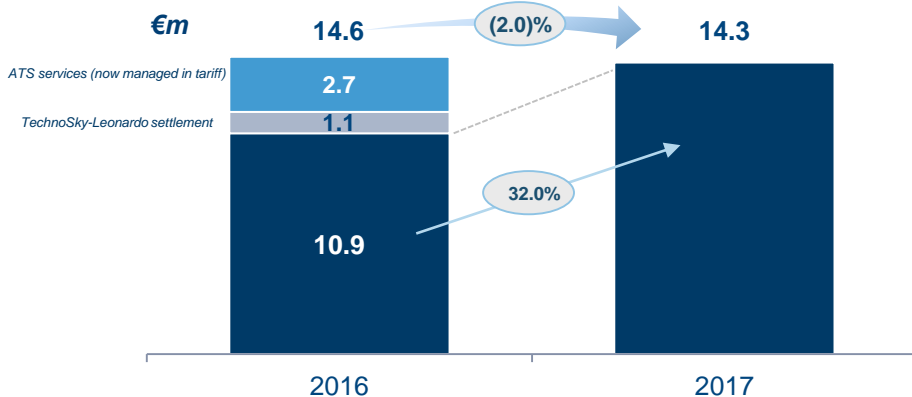
Technological leadership enhanced through strategic investments

Notes: (1) Refers to continental Spain.
(2) Refers to DFS only

Net sales breakdown



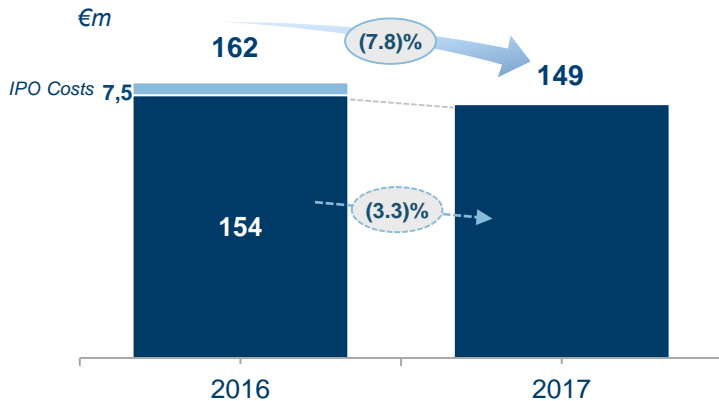
Non-regulated Revenue



- Net sales +1.9% YoY driven by strong increase in Revenue from Operations, up 7.0%:
 - Solid En-route revenue growth of 5.5% YoY driven by positive trends in national and international traffic and acceleration of overflights
 - Strong Terminal revenue growth of 12.4% mainly driven by traffic increase in TZ2 and TZ3 and application of natural tariff on TZ3, despite significantly lower tariffs applied in TZ1 and TZ2 vs 2016
- Stable **Non-regulated** revenue driven by:
 - Flight inspection services provided to Saudi Arabia and Romania and Training services, mainly to Libyan controllers
 - Contracts in UAE, Libya, Albania and Morocco and portion of multi-year contract in Malaysia
 - 2016 revenue included one-off of €1m for TS-Leonardo settlement and €2.7m of ATS revenue included in tariff in 2017
- Revenue increase partially offset negative Balance of -€17.2m, vs positive Balance of €16.4m in 2016, mainly as a combination of:
 - Positive En-route traffic balance of €21.8m for traffic risk and bonus of €6.3m partly offset by negative inflation balance of -€13.5m
 - Terminal Balance in 2016 of positive €20.8m in relation to TZ3 state contribution, no longer present in 2017 as natural tariff is applied to TZ3; negative TZ2 balance of total -€3.7m, resulting from higher traffic than plan and from -€1.3m of inflation balance in TZ2, and negative TZ3 balance of -€5.2m in 2017 due to difference in actual costs and revenues vs those planned in tariff
 - Balance reversal applied in 2017 tariff for a negative amount of -€24m (vs -€14.7m in 2016)
- Other Operating Revenue mainly includes opex contributions for Safety and Security of €30m, and European financing related to common projects

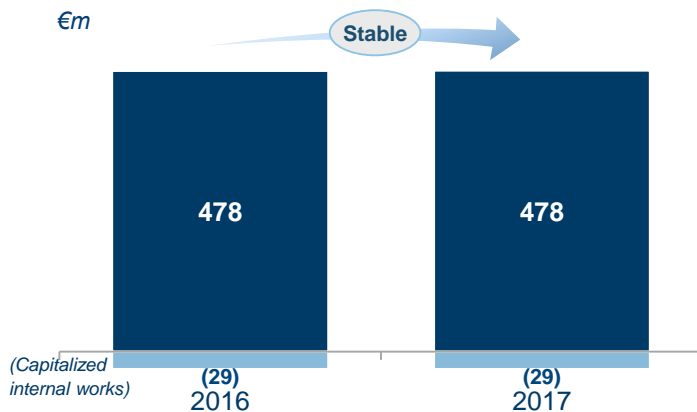
(1) Other includes balance, non-regulated activities, opex contributions, exemptions and other income.

Delivering strong external cost efficiency



- External opex optimization continuing to deliver significant results with reduction of €12.6m YoY (-7.8%, -3.3% excl. IPO costs in 2016):
 - Lower purchasing costs due to more effective spare parts management
 - Lower Eurocontrol contributions
 - Lower Insurance costs following contract renegotiation in 2016, delivering savings of €2.5m in 2017
 - Partially offset by higher costs for utilities as a result of higher unit costs of energy and increase in number of airports managed

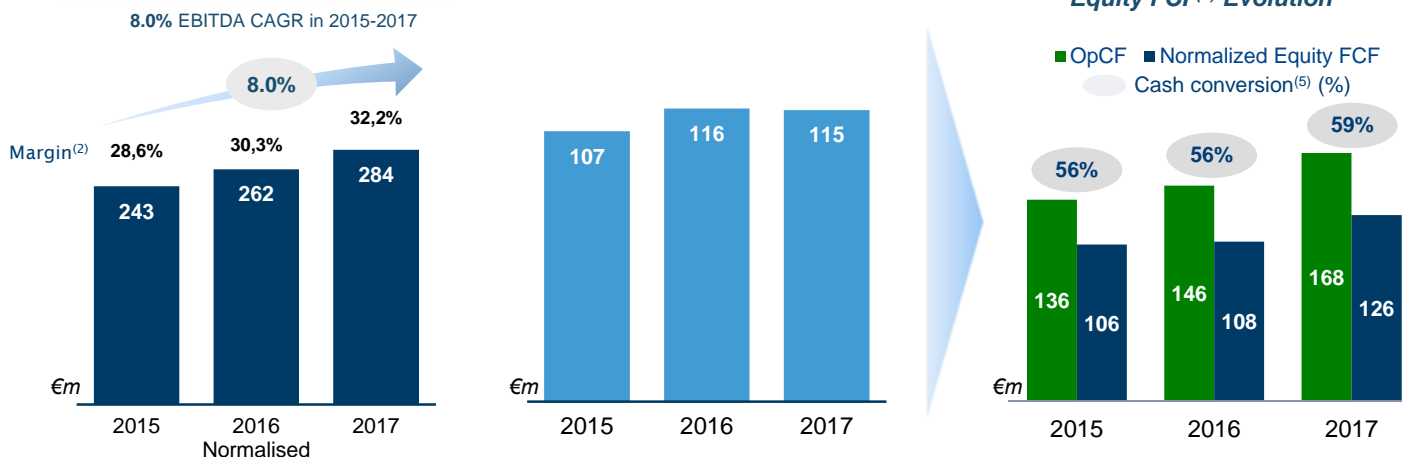
Personnel Costs Under Control



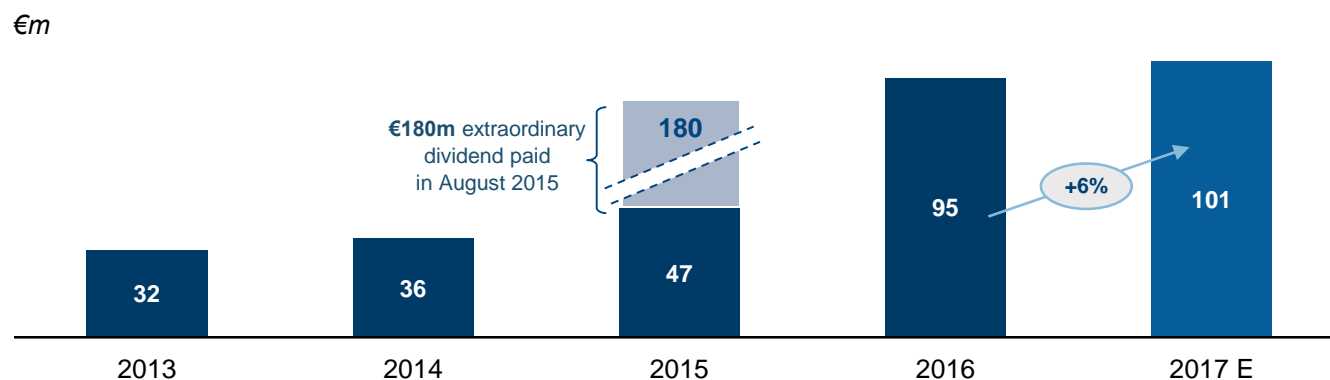
- Personnel Costs stable YoY:
 - Marginal salary increase of 0.8% includes assumption on potential effect of contract renewal, partially compensated by headcount reduction (-46 avg headcount YoY, headcount as of Dec.31, 2017 is 4,181)
 - Variable salary component includes increase in overtime related to Free Route implementation and relevant portion of Performance Share LTI plan
 - Decrease in social security contributions and lower voluntary redundancy plan costs in 2017 vs previous year
- Meetings on labor contract renewal held in first weeks of 2018 with trade unions; old contract remains in force until new one is in place

Growing and Resilient Cash Flow Generation

Growing EBITDA and Profitability Normalizing Capex vs. Historical Levels⁽¹⁾ Operating Cash-Flow⁽³⁾ and Normalized Equity FCF⁽⁴⁾ Evolution



Increasing Historical Dividend Distribution

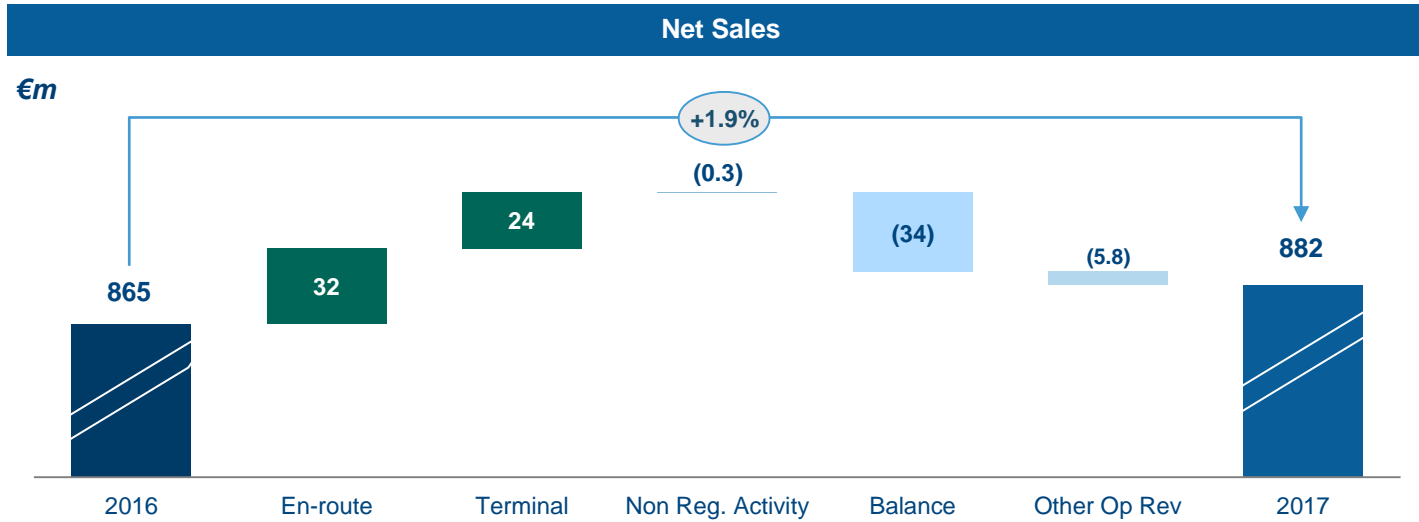


- **Significant EBITDA growth** over last 3 years, with growing EBITDA and margin despite the weak macroeconomic environment
- **Capex normalised** at levels around €115-120m
- Resulting in a **strong and increasing operating cash flow** ⁽³⁾
- **Growing historical dividend distribution** with **clear dividend policy** going forward of **no less than 80% of Equity FCF** ⁽⁶⁾

▪ **€101m dividend proposed for 2018 (€0.1864 per share) on 2017 results**

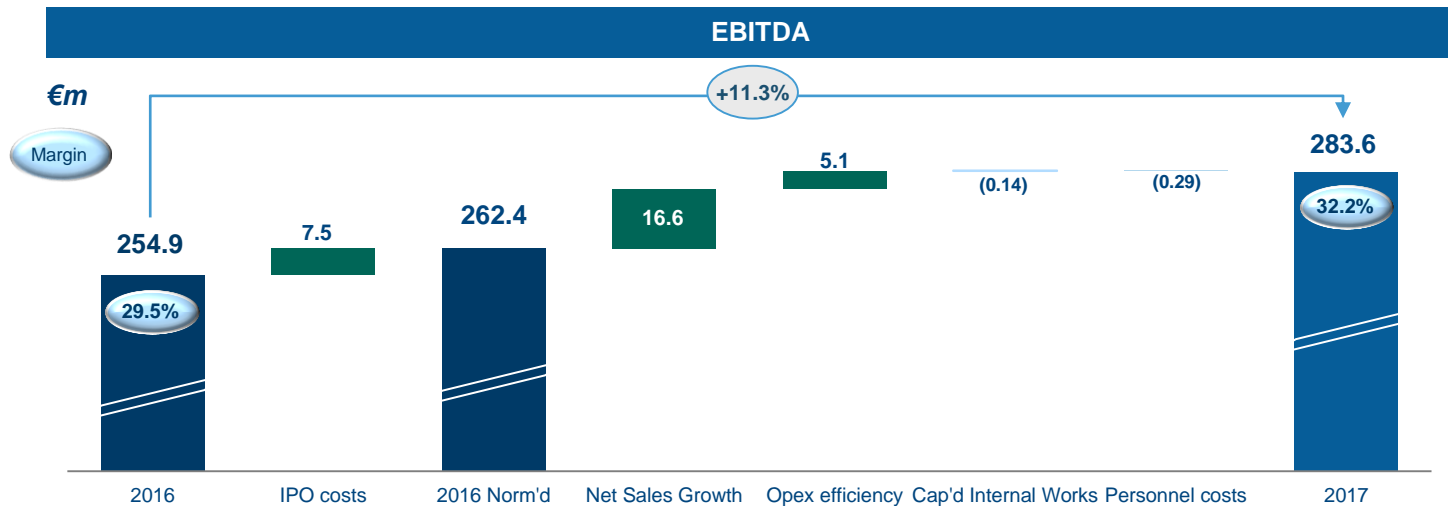


2017 Financials Overview



- **Solid net sales increase of 1.9% YoY** driven by strong Operating revenue performance, both in en-route and terminal, partly offset by negative impact of Balance

- **Significant reduction in Balance** mainly due to TZ3 Balance in 2016 not present in 2017, cost recovery balance effect on TZ3 in 2017, and higher balance reversal in tariff in 2017



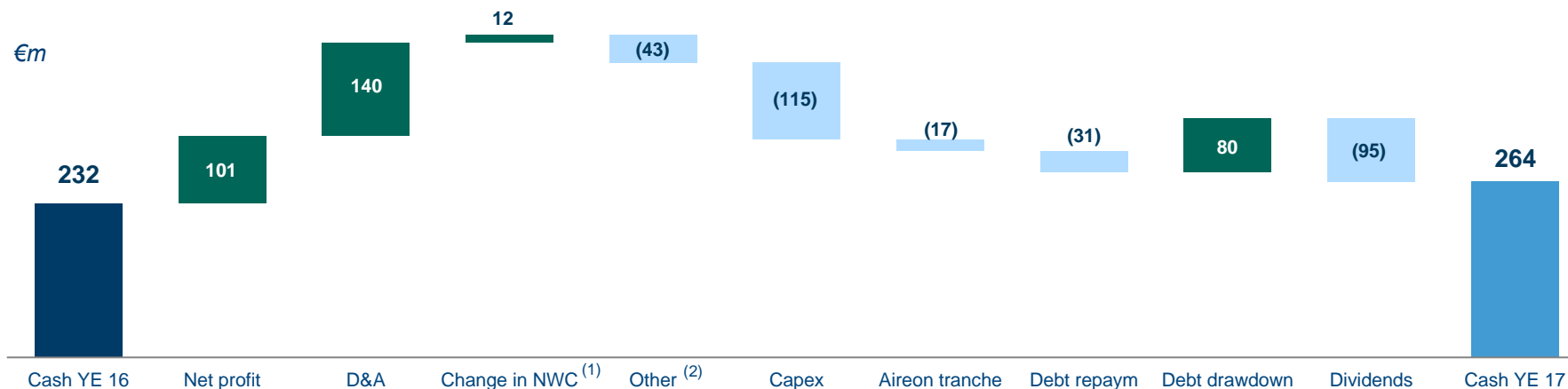
- **EBITDA up 11.3% to €283.6m** driven by top line growth and cost efficiency, EBITDA margin increases by 270 bps YoY to 32.2%

€ mln	2017	2016	Change	
			Amount	%
Revenue from operations	863.161	806.410	56.751	7,0%
Balance	(17.223)	16.428	(33.651)	n.m
Other operating income	35.886	42.433	(6.547)	(15,4%)
Total Net Revenue	881.824	865.271	16.553	1,9%
Personnel costs	(478.422)	(478.134)	(288)	0,1%
Capitalized internal works	29.133	29.273	(140)	(0,5%)
Other net operating costs	(148.940)	(161.531)	12.591	(7,8%)
Total operating costs	(598.229)	(610.392)	12.163	(2,0%)
EBITDA	283.595	254.879	28.716	11,3%
<i>EBITDA margin</i>	32,2%	29,5%		
D&A (net of capex contributions)	(130.330)	(132.769)	2.439	(1,8%)
Provisions and writedowns	(6.583)	(5.226)	(1.357)	26,0%
EBIT	146.682	116.884	29.798	25,5%
<i>EBIT margin</i>	16,6%	13,5%		
Financial income / (expenses)	(2.929)	(2.180)	(749)	34,4%
Profit before income taxes	143.753	114.704	29.049	25,3%
Income taxes	(42.255)	(38.359)	(3.896)	10,2%
Net Income	101.498	76.345	25.153	32,9%

- Reduction in D&A of 1.8% YoY as a result of capex normalisation
- Increase in Provisions and write-downs in 2017 mainly due to €3.5m euro impairment loss on trade receivables from Alitalia
- Financial income and expenses negative for €2.9m (-€2.2m in 2016) mainly due to lower interest receivable on previous VAT credits offset by effect balance receivables actualization; stable interest cost
- Income taxes higher than previous year due to higher taxable income; lower effective tax rate in 2017
- Net profit of €101.5, up 32.9% YoY

- **Cash balance** increases by €32m YoY mainly as a result of:
 - Third and fourth and final tranches of Aireon
 - Debt repayments of €31m and new €80m EIB facility (1% fixed rate)
 - Dividends paid of €95.3m
 - Payment to MEF of € 65m (net of en-route cashed-in and exempt)
 - Net Working Capital ⁽¹⁾ absorption, mainly due to higher trade receivables from EC (for higher traffic in Nov-Dec not yet due and Alitalia credit), and higher current balance receivables expected to be recovered in 2018 tariff
- **Net debt of €117m** as of December 31, 2017 providing significant financial and operating flexibility

	Maturity		Total debt outstanding/cash (€m)
	Current (<1 year)	Non-current	
Total Debt	30	351	381
Cash & Equivalents			263
Net Debt			117
Net Debt / 2017 EBITDA			0.4x



(1) Change in trade payables, trade receivables and Inventories

(2) Includes Change in Other current and non-current assets and liabilities, change in income tax payables, social security payables, provisions for risks & charges, change in liabilities for employee benefits, changes resulting from FX, provisions for stock grants, impairments of tangible and intangible assets



2018 - 2022 Business Plan



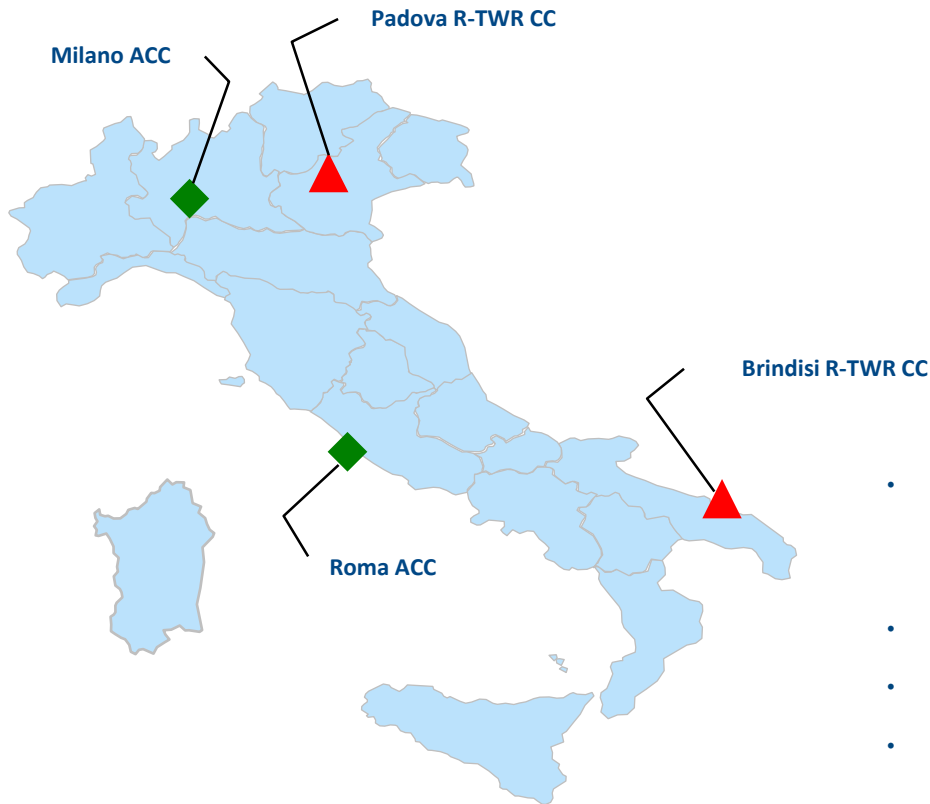
Key initiatives

- Strategic review of ATC management through technological and operational evolution and new organizational model aimed at increasing performance, productivity and competitiveness while maintaining the paramount target of maximum safety:
- Simplified organizational structure
- Increased professionalism of personnel
- More effective and efficient costs and capex planning and allocation

Business Plan Pillars

- A. Implement **new operating model**, more agile and flexible to increase productivity, competitiveness and cost optimization
- B. Strengthen ENAV's leadership role through development of future-proof ATC platforms
- C. Expand ENAV's position in non-regulated business
- D. Exploit drones and UAV market opportunity

Target operational structure with 2 ACC's and 2 remote tower hubs



2
ACC

- 2 ACC, one in Rome and one in Milan, to manage en-route traffic; integration in 2 ACCs of approach radars currently in towers

2 HUB
R-TWR CC

- ACCs in Brindisi and Padua transformed into Remote Tower Hubs to manage certain airports

- «Right-sizing» of organisation and more balanced workload through active management of personnel turn-over, without layoffs but leveraging retirements and voluntary exits
- Hiring of new resources to partially replace exits
- Overall headcount expected to decline by about 300 units by 2022
- Material investments in training and requalification of personnel to support new competences required
- Higher critical mass for ACC e TWR to better manage activity fluctuations
- Improved level of service on smaller airports with low traffic
- Leverage expertise in Brindisi and Padua maintaining material presence

- In line with requirements defined by Single European Sky, ENAV will implement, or extend the use to its entire airspace, of new cutting edge technologies and systems aimed at maximising performance while ensuring utmost level of safety

Main Initiatives

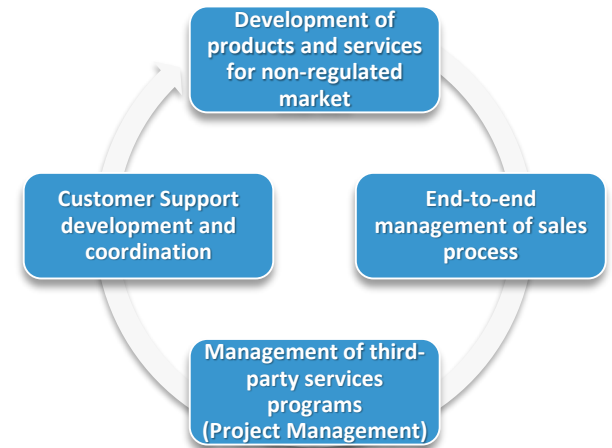
- Extend the use of **Data Link** throughout the airspace, which enables the communication between the ground and the aircraft to be managed via a data connection without the need to communicate verbally through radio;
- Implementation of **MTCD** system (*Medium Term Conflict Detection*), will support the air traffic controller in the detection of possible traffic conflicts with a significant lead time in order to enable a timely route re-planning;
- Development of new **FDP** (*Flight Data Processor*), leveraging on new technologies to deploy a new approach to development and maintenance
- Development and implementation of **Remote Tower** technology in Brindisi hub
- Development of full IP MPLS operational network (E-Net2) for ground-ground communications

All the of the initiatives planned will be rolled-out on the new configuration in order to optimize expenditure and deployment times (e.g. implementation of new ACC systems above only on Rome and Milan ACCs)

- Leverage on business volume expansion to grow **non-regulated** revenues, and improve margins through productivity increase through portfolio of services offered:



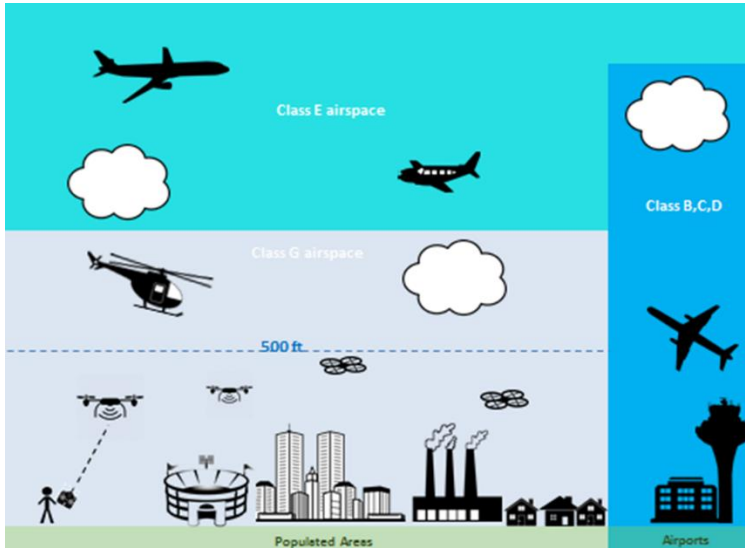
Commercial Development Department’s Mission



Aireon

- Strategic positioning of ENAV in international satellite technology CNS with key global partners, relevant 12.5% stake held by ENAV
- ENAV to leverage Aireon service delivery point in Ciampino to promote its technical and commercial services and know-how
- Potential for ENAV to work alongside Aireon in implementation of platform for receipt of signals for small/medium ANSPs that will use this technology, with positive impact on non-regulated revenues
- Dividends from Aireon expected from 2021, low double-digit IRR

Explore selective M&A to further accelerate growth on a non-organic basis



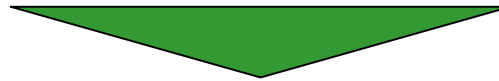
**Based on agreement with national regulator (ENAC)
ENAV is entrusted to authorise and control UAV
flights within the airspace, charging a tariff for
these services**

ENAV is setting up a NewCo in order to:

- Develop an Air Traffic Management system for UAV (UTM) able to support flight operations in full control and safety
- Build a front-end/back-end application to handle the registration and control of UAVs within the regulatory framework defined by ENAC
- Develop «first-mover» advantage in provision of these services in the Italian market, define the standards and become preferred partner for ENAC
- Develop a UTM with advanced capabilities (BVLOS management and Autonomous Flight), act as enabler for innovative services and promote new business models to its customers

- Low single-digit Net Revenue CAGR over 2018-2022
- Non-regulated Revenue, including UAM, of ~ €35m in 2022
- Cost development over 2018-2022 lower than inflation
- EBIT margin at 17-18% in 2022
- Capex of ~ €650m over 2018-2022
- Dividend growth of 4% per year, starting from €101m 2018 dividend announced today

- Strong traffic momentum throughout the year continuing also into 2018 despite specific airline issues and ongoing limitations on Libyan airspace
- Continuing to deliver strong execution on cost efficiency measures, driving margin expansion and cash flow
- Non-regulated business continues to maintain solid underlying growth trend
- Maintaining leadership role in ATM innovation, success of Free Route in accelerating traffic growth



2018 Guidance

- 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%
- 2019 DPS expected to grow by 4% over 2018
- Capex of ~ €125m

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