

## ENAV'S BOARD OF DIRECTORS APPROVES THE FIRST HALF 2017 RESULTS AND THE INTEGRATION OF THE CEO REMUNERATION POLICY

*EBITDA increases 7.3% driven by traffic growth and efficiency*

- **En-route and terminal traffic grow 2.4% and 2.2% respectively in terms of service units vs. 1H 2016**
- **Consolidated net revenue of 410 million euro (+ 0.3% YoY) driven by revenues from operations, up 5.7%**
- **Consolidated EBITDA at €111 million (+ 7.3% YoY)**
- **Consolidated net profit of €27 million, up 21.7% YoY.**

Rome, 09 August 2017 - ENAV SpA's Board of Directors held today under the chairmanship of Roberto Scaramella approved the first half 2017 financial report.

**Roberta Neri, CEO** commented: *this year we are witnessing a stronger increase in traffic than that seen in previous years. This is a positive indicator not only for ENAV but also for economic growth in Italy. In addition to growth in traffic, our results were driven by the continuous focus on efficiency that allowed us to achieve excellent results in terms of quality of service and in our financial results. We are very satisfied that the implementation of our business plan is delivering the expected results.*

The first half of 2017 was characterised by a solid increase in service units (a conventional weighted measurement unit which takes into account the aircraft certified take-off weight and, in case of en-route traffic, the distance travelled in the Italian airspace), recorded mainly in the second quarter, and by the Company's focus on the on-going improvement of processes among the Group companies and on efficiency, in line with the objectives outlined in the business plan.

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**En-route traffic**, in terms of service units, grew 2.4% vs. 2016. Notwithstanding the ongoing instability in the North African region and in particular the *no fly-zone* over Libya, growth was driven by the positive trend of traffic in the second quarter (+5.3% in April, +4% in May and +5.3% in June).

In more detail, international traffic, with departures and arrivals at Italian airports, increased by 2.2% in service units while overflight traffic, relating to flights that pass through Italian airspace, grew by 3.4%. Also domestic traffic, i.e. planes taking off and landing within Italy, delivered an increase in service units of 1.4%.

The positive trend in en-route traffic and in particular of overflight traffic, is also attributable to the implementation of *Free Route*, an innovative project implemented by ENAV, first among the largest European service providers, whereby all aircraft flying over Italian airspace at an altitude exceeding 11,000 metres, can choose a direct path without having to follow the route network. Thanks to *Free Route*, airlines are able to reduce fuel consumption and lower CO<sub>2</sub> emissions by planning a flight path that ensures the shortest route.

**Terminal traffic** (i.e. take-off, approach and landing activities within a radius of 20 km from runway), in services units, grew 2.2% compared to the first half of 2016. This growth was the result of the strong traffic trends recorded in the Italian airports, despite the 3.7% reduction of service units in Rome-Fiumicino airport.

### **FINANCIAL PERFORMANCE**

**Total consolidated net revenue** in 1H 2017 reached 410 million euro, an increase of 0.3% compared with the first half of 2016, as a combined effect of growth in revenue from operations and the decline in balance (*Balance* is the mechanism that allows ENAV to recover from or return to carriers, the amounts resulting from the difference between the planned air traffic and the actual traffic, as well as the recovery of costs and traffic for services provided to Terminal Zone 3 airports – those with less than 70,000 movements per year).

**Revenue from operations**, that amounted to 391.5 million euro, showed an increase of 5.7% compared to 1H 2016. This result is related to: i. the growth in en-route revenues, up 3.9%, and ii) the increase in terminal revenue, up 11.5%, mainly due to the increase in the Terminal Zone 3 tariff, recorded as a *balance* in the first half of 2016, and to the increase in traffic in the large airports in northern Italy.

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The **balance** in the first half the 2017 amounted to €1.6 million, down 92.5% compared to the first half of last year, mainly due to the terminal **balance** of Terminal Zone 3 airports recorded in 2016.

**Non-regulated revenue** amounted to 6.5 million euro, in line with the positive results achieved in the first half of 2016. The new international contracts acquired – including the single emirates sky design project in the UAE, the construction of the control tower and technical block at Mitiga airport in Libya and consultancy for the Air Traffic Control Centre in Kuala Lumpur in Malaysia - enabled us to offset the reduction in revenues from non-regulated services in the domestic market. In particular, the reduction is due to the loss of revenues from tower services on a small number of low-traffic airports, currently managed within the National Program Contract. On a comparable basis, net of this perimeter change and net of certain non-recurring items recorded in the first half of 2016, non-regulated revenue confirmed a double-digit percentage increase (+42%).

**Operating costs** stood at 299 million euro, a reduction of 2.1% compared with the first half of 2016. During the first half of 2017, the ENAV Group continued on its path of improving cost-efficiency levels and increasing marginality, through actions taken on specific cost items and the optimization of processes among the Group companies. In particular, personnel costs were stable over the previous year, despite the higher number of airports managed and an increase in variable remuneration, in particular relating to overtime that was required in order to train air traffic controllers on the management of *Free Route*. During the first half of 2017, the headcount was reduced by 38 units, compared to the same period of the previous year, including 7 managerial figures, with a lower average headcount of 26 units.

**External operating costs** amounted to 74 million euro, with a significant reduction of 7.6% compared to 1H 2016 which, however included a portion of the costs incurred for privatization of 2.8 million euro; net of these costs the reduction is 4.3%.

The above movements contributed to a 7.3% YoY growth in **EBITDA** which reached 111 million euro, with a growth in EBITDA margin of almost two percentage points to 27.1%.

**EBIT** in the first six months of 2017 reached 39.8 million euro, up by 15% compared to the first six months of 2016, despite the increase in write-downs and provisions which include a 3.5 million euro impairment loss on trade receivables for 2 unpaid invoices to Alitalia, for a total of 17.6 million euro, issued prior to beginning of the court administrative process in May 2017. Following the start of the court administrative process payments have been regular.

**Consolidated Net Profit** in 1H 2017 reached 27 million euro, up 21.7% compared to the first half of 2016.

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**The net financial position** as at 30 June 2017 shows a net debt of 244.4 million euro with an increase of 144.3 million euro, compared to 31 December 2016. This increase is mainly due to working capital dynamics in the ordinary course of business which see lower receivables as a result of business seasonality of the sector, to the dividend payment of 95.3 million euro, to the receivables from Alitalia on unpaid invoices and to the third payment tranche for the stake in Aireon of 12 million euro.

### **Guidance 2017 confirmed**

The Company confirms the guidance for 2017 provided in March of low-single digit net revenue growth and EBITDA margin of around 30%. The guidance on Capex for 2017 has increased to €115-120 million compared to €105-110 million previously communicated, as a result of the acceleration of certain investments. The company confirms that it expects to be able to deliver a 4% increase in dividend per share for 2018 (with respect to the 2017 financial year) compared to the dividend paid this year, in line with its dividend policy.

### **BUSINESS OUTLOOK**

The dynamics of demand for air navigation services in the first half of the year featured a growth trend in all routes, both domestic and international.

The first months of the summer period have also seen further growth in the traffic volumes managed, which, if confirmed in the next few months, could lead to a higher percentage increase in service units at the end of the year than that recorded in this first half of 2017.

At the same time, on cost efficiency, the Company expects to continue to implement actions in the second half-year, in line with the priorities set out in the Group's business plan.

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### **Integration and amendment of the CEO remuneration policy**

The Board of Directors approved a partial amendment and integration to the first section of the 2016 Remuneration Report and approved certain resolutions on the remuneration policy of the CEO for the duration of the mandate, as proposed by the Remuneration and Appointments Committee and with the approval of the Control, Risks and Related Parties Committee and of the Board of Statutory Auditors.

These amendments and integrations were made in order to align the remuneration policy to the current national and international best practices on remuneration, bearing in mind the specific nature of the shareholder base of ENAV, and to align it with the interest of its shareholders, as per the guidelines on the Company's remuneration policy.

The overall maximum amount of the fixed salary component (ex comma 3 of article 2389 of the Italian Civil Code) recognised in 2016 remains unchanged, as remain unchanged the targets already outlined in the remuneration report in relation to the variable salary components. With reference to these latter components, the measurement parameters of the target performance and over-performance have been made more challenging.

In detail, with regard to the short-term variable incentives, it has been decided to assign an incentive equal to 50% of the overall fixed salary component if the budget targets are reached, that can increase to 75% in the case of over-performance if the maximum target is achieved; the specific objectives and weights presented in the previous remuneration policy remain unchanged.

With regard to the long-term variable incentive, based on a performance share plan, the Board of Directors approved a resolution providing a pay opportunity of 80% of the overall fixed salary component for each year, if the targets are achieved, and a maximum pay opportunity that will be fixed at 120% of the fixed salary component for each year.

These amendments and integrations will be disclosed within the Remuneration Report, as per the timing and form defined under art. 123-ter of Legislative Decree 24 February 1998 n.58. and under art. 84-quarter of the Regolamento Emittenti adopted by CONSOB with decision n. 11971 of 14 May 1999.

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*The manager in charge of compiling the company's accounting documents, Loredana Bottiglieri hereby declares, pursuant to art. 154-bis, par. 2, of the Consolidated Act on Finance, that the accounting information contained in this release tallies with the information set forth in the company's accounting documents, books and records.*

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*Enav informs that the Half-year Financial Report at 30 June 2017, as per art. 154-ter, par. 2, of leg. Decree no. 58 of 24 February 1998 – and the independent auditor's report – will be available for public consultation at the company's registered office, via Salaria 716, Rome, on the company's website [www.enav.it](http://www.enav.it), and on the website of the "Info" authorized storage system [www.info.it](http://www.info.it) in accordance with the applicable legislation.*

### **CONSOLIDATED INCOME STATEMENT**

	First Half 2017	First Half 2016	Variations	
			Values	%
Revenues 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%
<b>Total revenues</b>	<b>409.999</b>	<b>408.949</b>	<b>1.050</b>	<b>0,3%</b>
Personnel costs	(239.091)	(238.770)	(321)	0,1%
Capitalisation of internal work	13.905	13.145	760	5,8%
Other operating expenses	(73.819)	(79.922)	6.103	-7,6%
<b>Total operating costs</b>	<b>(299.005)</b>	<b>(305.547)</b>	<b>6.542</b>	<b>-2,1%</b>
<b>EBITDA</b>	<b>110.994</b>	<b>103.402</b>	<b>7.592</b>	<b>7,3%</b>
<b>EBITDA margin</b>	<b>27,1%</b>	<b>25,3%</b>	<b>1,8%</b>	<b>7,1%</b>
Net amortisation of investment contributions	(66.009)	(68.559)	2.550	-3,7%
Write-downs, losses (write-backs) of value and provisions	(5.168)	(217)	(4.951)	2281,6%
<b>EBIT</b>	<b>39.817</b>	<b>34.626</b>	<b>5.191</b>	<b>15,0%</b>
<b>EBIT margin</b>	<b>9,7%</b>	<b>8,5%</b>	<b>1,2%</b>	<b>14,7%</b>
Financial income/(expenses)	(631)	(2.094)	1.463	-69,9%
<b>Pre-tax income</b>	<b>39.186</b>	<b>32.532</b>	<b>6.654</b>	<b>20,5%</b>
Income taxes for the period	(12.178)	(10.337)	(1.841)	17,8%
<b>Profit/(loss) for the period</b>	<b>27.008</b>	<b>22.195</b>	<b>4.813</b>	<b>21,7%</b>

Value in thousands of Euro

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## **RECLASSIFIED CONSOLIDATED BALANCE SHEET**

	30.06.2017	31.12.2016	Variations
Tangible assets	1.042.549	1.056.281	(13.732)
Intangible assets	124.156	123.084	1.072
Investments in other companies	48.451	36.468	11.983
Non-current trade receivables and payables	97.909	136.770	(38.861)
Other non-current assets and liabilities	(72.118)	(73.036)	918
<b>Net fixed capital</b>	<b>1.240.947</b>	<b>1.279.567</b>	<b>(38.620)</b>
Inventories	60.944	60.895	49
Trade receivables	322.206	226.651	95.555
Trade payables	(137.973)	(132.512)	(5.461)
Other current assets and liabilities	(147.809)	(166.459)	18.650
Assets held for disposal net of related liabilities	223	13	210
<b>Net working capital</b>	<b>97.591</b>	<b>(11.412)</b>	<b>109.003</b>
<b>Gross net fixed capital</b>	<b>1.338.538</b>	<b>1.268.155</b>	<b>70.383</b>
Employee severance indemnity and other benefits	(54.930)	(57.388)	2.458
Provisions for risks and charges	(10.820)	(11.029)	209
Deferred tax assets net of liabilities	20.135	20.209	(74)
<b>Net invested capital</b>	<b>1.292.923</b>	<b>1.219.947</b>	<b>72.976</b>
Shareholders' equity	1.048.506	1.119.826	(71.320)
Net Financial Indebtedness	244.417	100.121	144.296
<b>Total coverage sources</b>	<b>1.292.923</b>	<b>1.219.947</b>	<b>72.976</b>

*Value in thousand of Euro*

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### Alternative performance indicators

- **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization):** an indicator of profit before the effects of financial management and taxation, as well as depreciation, amortisation and write-downs of tangible and intangible fixed assets and receivables and provisions, as reported in the financial statements and adjusted for investment subsidies directly related to the investments in depreciation and amortization to which they refer;
- **EBITDA margin:** is EBITDA expressed as a percentage of total revenues and adjusted for investment subsidies as specified above;
- **EBIT (Earnings Before Interest and Taxes):** is EBITDA less depreciation and amortization adjusted for investment subsidies and write-downs of fixed assets and receivables and provisions;
- **EBIT margin:** is EBIT expressed as a percentage of total revenues less investment subsidies as specified above;
- **Net fixed capital:** is a capital parameter which is equal to the net fixed capital employed in business operations and includes items relating to tangible assets, intangible assets, investment in other companies, non-current trade receivables and payables, and other non-current assets and liabilities;
- **Net working capital:** is the capital employed in business operations which includes the line items 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 net fixed capital:** is the sum of Net fixed capital and Net working capital;
- **Net invested capital:** is the sum of the Gross net fixed capital, less the employee severance indemnity and other benefits, the provision for risks and charges and the deferred tax assets net of liabilities;
- **Net financial indebtedness:** is the sum of the current and non-current financial debt, current and non-current financial receivables net of non-current financial liabilities referred to the fair value of the derivative financial instruments and cash and cash equivalents;
- **Free cash flow:** is the sum of the cash flow generated or absorbed from operating activities and the cash flow generated or absorbed from investing activities.

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