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ENAV: EBITDA INCREASES IN 1Q 2019 DRIVEN BY GROWTH OF AIR TRAFFIC AND EFFICIENCY

Interim financial report at 31 March 2019 approved by Board of Directors

- **En-route and terminal traffic** grow 7.4% and 5.9% YoY respectively, in terms of service units[1];
- **Consolidated Net Revenue** reaches 178.5 million euro (+1.7% YoY) driven by 3.1% increase in **revenues from operations** to 176.3 million euro;
- **Consolidated EBITDA** grows 3.2% YoY to 30.9 million euro;
- **Consolidated Net Loss** of 3.5 million euro, due to seasonality effect, improving 19.1% compared to the net loss of 4.4 million euro in the first quarter 2018;
- **2019 Guidance** confirmed**.**

Rome, May 15, 2019 - The ENAV SpA Board of Directors, held today under the chairmanship of Nicola Maione, approved the interim financial report as of 31 March 2019.

The first quarter of 2019 confirmed the strong growth trend in air traffic recorded in 2018 leading to a positive impact on revenue from operations, despite the typical seasonality of traffic flows, which in this period of the year, mark the lowest level of activity, while costs remain linear throughout the year.

En-route traffic in Italy, in terms of service units, **grew 7.4%** over the same period of 2018 delivering **the highest growth rate among the largest European countries: France +3.4%, Germany +3.7%, Great Britain +4.3%, Spain +6.8%.**
This performance was attributable, in addition to the strong results on punctuality, also to the quality of the service provided by ENAV.
The growth in en-route traffic was driven mainly by domestic traffic, up 9.6% YoY, due to a material increase in the average distance flown, and by overflight traffic (flights that do not take off or land in the country) which increased by 8.7% thanks to the 19.3% service units growth of flights with an average distance flown in the Italian airspace between 400-800 km.
With regard to the main geographical flows, the strong performance recorded was mainly driven by connections between European countries, connections between Europe and Africa and connections between Europe and Asia.
International en-route traffic growth was in line with the European average at +5.5% YoY driven by solid performance of connections between Italy and the rest of Europe as well as connections between Italy and Asia and between Italy and Africa, with a significant recovery in traffic flows to and from Egypt. Flights between Italy and the American continent also increased in the period.

[1] 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.

En-route traffic (service units)	First quarter 2019	First quarter 2018	Change no.	Change %
Domestic	387.880	353.838	34.042	9,6%
International	744.222	705.256	38.966	5,5%
Overflight	651.271	599.307	51.964	8,7%
Paying total	**1.783.373**	**1.658.401**	**124.972**	**7,5%**
Military	30.461	30.616	(155)	-0,5%
Other exempt	2.836	2.326	510	21,9%
Total exempt	**33.297**	**32.942**	**355**	**1,1%**
Total reported by Eurocontrol	**1.816.670**	**1.691.343**	**125.327**	**7,4%**
Exempt not reported to Eurocontrol	398	206	192	93,2%
Total	**1.817.068**	**1.691.549**	**125.519**	**7,4%**

Terminal traffic[2] grew 5.9% in Q1 2019 in terms of service units compared to the first quarter of 2018 with growth driven by the positive performance on all Italian airports.

Terminal traffic (service units)	First quarter 2019	First quarter 2018	Change no.	Change %
Domestic				
Chg. Zone 1	15.164	13.990	1.174	8,4%
Chg. Zone 2	16.843	14.879	1.964	13,2%
Chg. Zone 3	41.786	39.384	2.402	6,1%
Total domestic SUs	**73.793**	**68.253**	**5.540**	**8,1%**
International				
Chg. Zone 1	35.065	33.307	1.758	5,3%
Chg. Zone 2	57.895	55.227	2.668	4,8%
Chg. Zone 3	40.344	38.241	2.103	5,5%
Total international SUs	**133.304**	**126.775**	**6.529**	**5,2%**
Paying total	**207.097**	**195.028**	**12.069**	**6,2%**
Exempt				
Chg. Zone 1	35	116	(81)	-69,8%
Chg. Zone 2	84	94	(10)	-10,6%
Chg. Zone 3	1.604	2.007	(403)	-20,1%
Total exempt SUs	**1.723**	**2.217**	**(494)**	**-22,3%**
Total reported by Eurocontrol	**208.820**	**197.245**	**11.575**	**5,9%**
Exempt not reported to Eurocontrol				
Chg. Zone 1	0	0	0	0,0%
Chg. Zone 2	7	8	(1)	-12,5%
Chg. Zone 3	193	134	59	44,0%
Total exempt SUs not reported to Eurocontrol	**200**	**142**	**58**	**40,8%**
Total by Charging Zone				
Chg. Zone 1	50.264	47.413	2.851	6,0%
Chg. Zone 2	74.829	70.208	4.621	6,6%
Chg. Zone 3	83.927	79.766	4.161	5,2%
Total	**209.020**	**197.387**	**11.633**	**5,9%**

[2] the take-off and landing activities within a radius of about 20 km from the airport runway.

FINANCIAL PERFORMANCE

Total consolidated net revenue in the first quarter of 2019 reached 178.5 million euro, with an increase of 1.7% YoY.
Revenues from operations grew 3.1% YoY to 176.3 million euro driven by an increase in revenues from en-route services which reached 124.1 million euro, up 2.9% YoY, as a result of the growth of service units in Q1 which more than offset the 4% reduction in the regulated tariff. Terminal revenues rose by 6.2% to 46.9 million euro due to the combined effect of the increase in service units in the Italian airports and the reduction in the applied tariffs of terminal zones 2 and 3. Revenues from the non-regulated business amounted to 2.4 million euro.

The effect of the **balance**[3] on net revenue was negative for 6.7 million euros, mainly due to the combined effect of a lower balance generated in the period deriving from both en-route and terminal traffic being stronger than that foreseen in the *performance plan*, the terminal zone 3 balance, determined according to a cost recovery logic, as an effect between the revenues recorded in the quarter and the costs incurred, and lastly the balance reversal in the 2019 tariff.

Operating costs stood at 147.5 million euro, up 1.4% YoY.
In more detail, **external costs** declined by 4.1% YoY to 143.2 million euro, thanks to a decrease in utilities and telecommunications expenses, and to a reduction of external consultancies and professional services through a greater use of insourcing. The reduction is also partly due to the application of IFRS 16 on lease and rental costs.
Personnel costs increased by 2.7% to 121.3 million euro due to the effects deriving from the labor contract renewal and the adoption by TechnoSky of the ENAV contract effective 1 January 2019, as well as an increase in overtime related to the growth in traffic. These effects were partly offset by a headcount reduction of 113 employees on average and 124 total employees.

These initiatives contributed to a 3.2% YoY increase in **EBITDA** to 30.9 million euro, with an EBITDA margin of 17.3%, slightly up over the same period of 2018.

The consolidated **EBIT** improved, compared to the first quarter of 2018, by 7.2%, reaching -1.6 million euro.

The ENAV Group closed the first quarter of 2019 with a **consolidated net loss** of 3.5 million euro, improving 19.1% compared to the net loss of 4.4 million euro recorded in Q1 2018. This result is all the more significant considering that historically the first quarter of the year typically suffers from the weak seasonality effect in air traffic trends, which impact the top-line, while costs display a linear progression.

The **net financial position** is positive for 49.5 million euro, an improvement of 51.4 million euro compared to the figure recorded as of 31 December 2018, mainly due to the effect of the collection and payment dynamics related to the ordinary course of business that has

[3] 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.

produced a positive cash flow, which was partially offset by the negative effect of the application of IFRS 16.

Guidance for 2019 confirmed

For 2019 the Company confirms the guidance communicated to the market in March with net revenue growth expected to be flat to ‘low-single digit’, as a result of the decrease in the performance plan regulated tariff compensated by growth in traffic, and an EBITDA margin around 32%, slightly lower than that reported in 2018 as a result of certain costs expected to be sustained during 2019 in the implementation of the Company’s Business Plan. In terms of Capex, the Company plans to invest approximately 125 million euro. ENAV also confirms the guidance to increase its dividend by 4% year on year in 2020, relative to the 2019 financial year, in line with its dividend policy.

CONSOLIDATED INCOME STATEMENT

			Change	
	First quarter 2019	First quarter 2018	Amount	%
Revenues from operations	176.264	170.918	5.346	3,1%
Balance	(6.672)	(3.971)	(2.701)	68,0%
Other operating income	8.882	8.561	321	3,7%
Total revenues	**178.474**	**175.508**	**2.966**	**1,7%**
Personnel costs	(121.288)	(118.137)	(3.151)	2,7%
Capitalised costs	6.635	6.877	(242)	-3,5%
Other operating expenses	(32.875)	(34.272)	1.397	-4,1%
Total operating costs	**(147.528)**	**(145.532)**	**(1.996)**	**1,4%**
EBITDA	**30.946**	**29.976**	**970**	**3,2%**
EBITDA margin	**17,3%**	**17,1%**	**0,2%**	
Depreciation and amortisation net of investment grants	(32.569)	(31.725)	(844)	2,7%
Writedowns, impairment (reversal of impairment) and provisions	2	3	(1)	-33,3%
EBIT	**(1.621)**	**(1.746)**	**125**	**7,2%**
EBIT margin	**-0,9%**	**-1,0%**	**0,1%**	
Financial income/(expense)	(1.255)	(1.302)	47	-3,6%
Income before taxes	**(2.876)**	**(3.048)**	**172**	**-5,6%**
Income taxes	(687)	(1.342)	655	-48,8%
Profit (loss) for the period	**(3.563)**	**(4.390)**	**827**	**18,8%**
Profit (loss) pertaining to the Group	**(3.553)**	**(4.390)**	**837**	**19,1%**
Profit (loss) pertaining to non-controlling interests	**(10)**	**0**	**(10)**	**n.a.**

Thousands of euros

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.03.2019	31.12.2018	Change
Property, plant and equipment	978.420	1.000.063	(21.643)
Right-of-use assets	9.437	0	9.437
Intangible assets	122.795	122.368	427
Investments in other entities	61.457	60.306	1.151
Non-current trade receivables and payables	(8.205)	(16.394)	8.189
Other non-current assets and liabilities	(111.854)	(113.258)	1.404
Net non-current assets	**1.052.050**	**1.053.085**	**(1.035)**
Inventories	60.913	61.001	(88)
Trade receivables	258.403	268.076	(9.673)
Trade payables	(124.884)	(126.122)	1.238
Other current assets and liabilities	(113.517)	(74.714)	(38.803)
Assets held for sale net of related liabilities	1.428	1.458	(30)
Net working capital	**82.343**	**129.699**	**(47.356)**
Gross capital employed	**1.134.393**	**1.182.784**	**(48.391)**
Employee benefit provisions	(53.706)	(52.280)	(1.426)
Provisions for risks and charges	(2.707)	(2.707)	0
Deferred tax assets net of liabilities	12.519	11.720	799
Net capital employed	**1.090.499**	**1.139.517**	**(49.018)**
Shareholders' equity pertaining to shareholders of the Group	1.133.366	1.137.559	(4.193)
Shareholders' equity pertaining to non-controlling interests	6.600	0	6.600
Shareholders' equity	**1.139.966**	**1.137.559**	**2.407**
Net financial position	(49.467)	1.958	(51.425)
Funding of net capital employed	**1.090.499**	**1.139.517**	**(49.018)**

in thousands of euros

On the basis of the statements made by the Director Pietro Bracco, appointed by the Shareholders' meeting held on April 26, 2019 as well as the information available to the Company, the Board of Directors ascertained that there are no grounds for ineligibility or incompatibility of such Director and that he fulfills the requirements of integrity, professionalism and independence as required by current legislation, the Corporate Governance Code and the Articles of Association.
The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board for the aforementioned independence assessments.
The Board of Directors also ascertained the fulfillment of the requisites of professionalism and integrity of the Auditors, as specified in art. 21 of the Articles of Association and acknowledged the possession of the requirements of independence set by the law and by the Corporate Governance Code on the basis of the checks carried out by the Board of Statutory Auditors on May 14, 2019.

The Board of Director also verified that the composition of the Board of Statutory Auditors is compliant with the legal and statutory provisions concerning gender balance and, with reference to the Director Pietro Bracco, ascertained that the number of directorships and memberships of control offices held by the Director is compatible with an effective performance of the position of Director in ENAV.

The Board also updated the composition of the Board Committees, providing:

Remuneration and Appointments Committee: Giuseppe Acierno (Chairman), Pietro Bracco and Maria Teresa Di Matteo (Members);

Control, Risks and Related Parties Committee: Antonio Santi (Chairman), Mario Vinzia and Fabiola Mascardi (Members);

Sustainability Committee: Carlo Paris (Chairman), Fabiola Mascardi and Pietro Bracco (Members).

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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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The Interim Financial Report at 31 March 2019 does not represent interim financial statements prepared in accordance with international accounting standard IAS 34, and has not been audited by the independent auditors. The consolidation principles used to prepare the Interim Report on Operations at 31 March 2019 conform to those used to prepare the Consolidated Financial Statements at 31 December 2018, approved on 11 March 2019.
The Interim Financial Report at 31 March 2019 is available on the company web site www.enav.it - "Investor Relations" – "Financial Statements & Reports" and on the authorized storage system "1info" (www.1info.it).

Alternative performance indicators

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): is an indicator of profit before the effects of financial management and taxation, as well as depreciation, amortisation and write-downs on fixed assets and receivables and provisions, adjusted for investment subsidies directly related to the investments in depreciation and amortisation 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 amortisation 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 position: is the sum of the current and non-current financial debt, 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.

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