

## ENAV's Board of Directors approves the first half 2019 results

### *Strong increase in traffic managed with high levels of punctuality and quality of service*

- **En-route and terminal traffic** increased 7.4% and 5.4% YoY respectively, in terms of service units<sup>1</sup>;
- **Consolidated Net Revenue** reached 417.3 million euro (+1.5% YoY) driven by 2.9% increase in **Revenue from operations** to 429.2 million euro;
- **Consolidated EBITDA** grew 3.2% YoY to 115 million euro;
- **Consolidated Net Profit** of 34.1 million euro, up 3.4% YoY.

Rome, August 6, 2019 - The ENAV SpA Board of Directors, held today under the chairmanship of Nicola Maione, approved the 2019 First Half Financial Report.

**CEO Roberta Neri** stated: *the first half of 2019 confirms the strong trend of air traffic in Italy witnessed in the first quarter of the year, with a higher growth rate than that of the other major European countries. Despite the solid growth of air traffic, our employees' professionalism and our investments in technology have enabled us to manage these volumes with a high level of punctuality while providing, once again, one of the best operating performances at European level with a constant focus on the long term sustainability of our business.*

**En-route air traffic in Italy**, in terms of service units, in the first half of 2019, **grew 7.4%** over the first half of 2018, also driven by the excellent results in terms of punctuality and quality of service provided by ENAV.

**In the first half of the year Italy was once again the country with the highest growth rate of air traffic among the major European countries: France +4.5%, Germany +2.6%, Great Britain +3.3%, Spain +6.3%.**

The first six months of the year witnessed a remarkable increase of 9.5% in overflight traffic (flights that do not take off or land in the country), as well as the confirmation of a strong performance in international air traffic, both in flights between European countries and towards non-EU countries. In addition, in the first semester of 2019 there was a rebound in domestic traffic, and, in particular, in flights connecting northern and southern Italy, which are less affected by the competition of high-speed rail.

In general, the period saw a positive trend concerning air traffic volumes and flows to and from strategic geographical areas which cross Italian airspace, including North-Western Europe (Spain, Germany, France, Great Britain) and the area of the countries in the Mediterranean Basin (Turkey, Malta, Israel, Egypt and Tunisia).

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<sup>1</sup> 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)	1st Half 2019	1st Half 2018	Change	
			no.	%
Domestic	848.539	792.650	55.889	7,1%
International	1.856.373	1.752.449	103.924	5,9%
Overflight	1.753.446	1.600.789	152.657	9,5%
<b>Paying total</b>	<b>4.458.358</b>	<b>4.145.888</b>	<b>312.470</b>	<b>7,5%</b>
Military	64.221	63.371	850	1,3%
Other exempt	6.030	6.344	(314)	-4,9%
<b>Total exempt</b>	<b>70.251</b>	<b>69.715</b>	<b>536</b>	<b>0,8%</b>
<b>Total reported by Eurocontrol</b>	<b>4.528.609</b>	<b>4.215.603</b>	<b>313.006</b>	<b>7,4%</b>
Exempt not reported to Eurocontrol	1.266	858	408	47,6%
<b>Total</b>	<b>4.529.875</b>	<b>4.216.461</b>	<b>313.414</b>	<b>7,4%</b>

**Terminal traffic<sup>2</sup>** in the first half of 2019 grew by 5.4% in terms of service units compared with the same period in 2018, driven by the overall positive trend on all Italian airports.

Terminal traffic (service units)		1st Half 2019	1st Half 2018	Change	
				no.	%
Domestic					
	Chg. Zone 1	31.182	29.970	1.212	4,0%
	Chg. Zone 2	37.190	33.963	3.227	9,5%
	Chg. Zone 3	92.509	88.634	3.875	4,4%
	<b>Total domestic SUs</b>	<b>160.881</b>	<b>152.567</b>	<b>8.314</b>	<b>5,4%</b>
International					
	Chg. Zone 1	81.236	77.997	3.239	4,2%
	Chg. Zone 2	127.750	121.225	6.525	5,4%
	Chg. Zone 3	107.040	99.438	7.602	7,6%
	<b>Total international SUs</b>	<b>316.026</b>	<b>298.660</b>	<b>17.366</b>	<b>5,8%</b>
<b>Paying total</b>		<b>476.907</b>	<b>451.227</b>	<b>25.680</b>	<b>5,7%</b>
Exempt					
	Chg. Zone 1	63	141	(78)	-55,3%
	Chg. Zone 2	188	205	(17)	-8,3%
	Chg. Zone 3	3.599	4.471	(872)	-19,5%
	<b>Total exempt SUs</b>	<b>3.850</b>	<b>4.817</b>	<b>(967)</b>	<b>-20,1%</b>
<b>Total reported by Eurocontrol</b>		<b>480.757</b>	<b>456.044</b>	<b>24.713</b>	<b>5,4%</b>
Exempt not reported to Eurocontrol					
	Chg. Zone 1	0	0	0	0,0%
	Chg. Zone 2	13	18	(5)	-27,8%
	Chg. Zone 3	455	391	64	16,4%
<b>Total exempt SUs not reported to Eurocontrol</b>		<b>468</b>	<b>409</b>	<b>59</b>	<b>14,4%</b>
<b>Total by Charging Zone</b>					
	Chg. Zone 1	112.481	108.108	4.373	4,0%
	Chg. Zone 2	165.141	155.411	9.730	6,3%
	Chg. Zone 3	203.603	192.934	10.669	5,5%
<b>Total</b>		<b>481.225</b>	<b>456.453</b>	<b>24.772</b>	<b>5,4%</b>

<sup>2</sup> the take-off and landing activities within a radius of about 20 km from the airport runway.

## **FINANCIAL PERFORMANCE**

The **total consolidated net revenue**, in the first half of 2019, reached 417.3 million euro, up 1.5% over the same period of 2018. **Revenue from operations** in the first half of 2019 reached 429.2 million euro, with a 2.9% increase. In more detail, en-route revenue reached 310.1 million euro, increasing 2.9% year on year, as a result of the strong increase in service units generated in this period, partially offset by the 4% reduction in the regulated tariff. Terminal revenue grew by 5.8% to 108.8 million euro driven by the increase in service units generated in all three charging zones, which more than compensated for the reduction in tariffs of the second and third charging zones. The non-regulated revenue stood at 4.1 million euro.

The *balance*<sup>3</sup> component had a negative effect of 29.8 million euro on total revenue, a higher negative amount of 5.8 million euro compared to the first half year 2018, mainly due to the 2.4% higher en-route traffic compared with that estimated in the *performance* plan. The difference that falls above the +/-2% dead band of traffic variation, in accordance with European regulation, is returned to the carriers for 70%. The terminal balance of the second charging zone was also negative having recorded more service units compared with the forecasts of the Performance Plan. The 2019 tariff includes the impact of the balance reversal for 25.4 million euro.

**Operating costs** stood at 302.3 million euro, showing a 0.9% increase compared with the first half of 2018.

**External costs** declined by 6.9% compared with the first half of 2018, to 66.4 million euro, owing to a reduction in telecommunications expenses, due to the use of the E-NET network, and a lower recourse to external services and consultancies. The reduction was also partly due to the effects related to the application of IFRS 16 concerning leasing and rental costs.

**Personnel costs** increased by 1.9% to 248.9 million euro due to the effects of the contract renewal and the adoption by the subsidiary Techno Sky of the air transport collective agreement with effect as of January 1, 2019. Personnel costs were also affected by the increase in operational overtime driven by the increase in air traffic, which were necessary to maintain high levels of service quality. Personnel costs were also affected by the increase in operational overtime driven by the increase in air traffic, which were necessary to maintain high levels of service quality, as well as a reduction in headcount of 118 employees on average and 116 actual employees compared with the first half of 2018.

The above trends contributed to the **3.2% increase in EBITDA**, compared with the first half of 2018, to 115 million euro, with an EBITDA margin of 27.6%, slightly higher compared with the same period in 2018.

**EBIT** grew by 2.7%, compared with the first half of 2018, to 49.6 million euro.

Consolidated **Net Profit** for the first half of 2019 reached 34.1 million euro, **with a 3.4% increase** over the previous year.

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<sup>3</sup> 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.

The **net financial position** was negative for 38.5 million euro, with an increase of 36.6 million euro compared to December 31, 2018 due to a combination of effects. In particular, in the first half of the year, operating activities generated a positive cash flow of 107 million euro, including the net cash-in related to European and PON financed projects, and the cash-in of the VAT credit refund, in addition to the positive cash flow of 6.6 million euro related to the share capital increase underwritten by the partners of d-flight.

These positive effects were offset by the payment of dividends for 108 million euro, the cash absorption for investments of 32 million euro and the negative effect of the IFRS 16 adoption for approximately 9.9 million euro.

### **Guidance for 2019**

For 2019 the Company confirms the guidance communicated in March 2019 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%. In terms of Capex, the Company plans to invest approximately 115-120 million euro, lower than the guidance of 125 million euro provided previously, mainly due to better economic terms obtained on purchases. 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.

### **SUBSEQUENT EVENTS**

On July 18, 2019 ENAV finalised the acquisition of 100% of the Air Navigation Division of IDS – Ingegneria dei Sistemi S.p.A. for an amount of 41 million euro, equivalent to an EV/EBITDA multiple of 5.5x based on the 2018 EBITDA of 8.9 million euro.

Following the closing of the acquisition, 150 IDS Air Navigation Division employees joined the ENAV Group. Concurrently with the closing, the parties signed an agreement whereby ENAV has the option to purchase, within June 2020, the activities of IDS Air Navigation Division currently carried out by IDS North America and IDS Australasia, subject to the positive outcome of the due diligence. The new company, named IDS AirNav, will continue to maintain its focus on the development of software solutions for aeronautical information management and air traffic management, currently utilized by approximately 100 clients in Italy, Europe and extra-European countries.

## CONSOLIDATED INCOME STATEMENT

<i>(thousands of euros)</i>	<b>1st Half 2019</b>	<b>1st Half 2018</b>	<b>Amount</b>	<b>Change %</b>
Revenues from operations	429.244	417.147	12.097	2,9%
Balance	(29.814)	(24.026)	(5.788)	24,1%
Other operating income	17.868	17.870	(2)	0,0%
<b>Total revenues</b>	<b>417.298</b>	<b>410.991</b>	<b>6.307</b>	<b>1,5%</b>
Personnel costs	(248.859)	(244.295)	(4.564)	1,9%
Capitalised costs	12.979	16.116	(3.137)	-19,5%
Other operating expenses	(66.380)	(71.301)	4.921	-6,9%
<b>Total operating costs</b>	<b>(302.260)</b>	<b>(299.480)</b>	<b>(2.780)</b>	<b>0,9%</b>
<b>EBITDA</b>	<b>115.038</b>	<b>111.511</b>	<b>3.527</b>	<b>3,2%</b>
<b>EBITDA margin</b>	<b>27,6%</b>	<b>27,1%</b>	<b>0,5%</b>	
Net amortisation of investment grants	(64.872)	(64.536)	(336)	0,5%
Writedowns, impairment (reversal of impairment) and provisions	(596)	1.315	(1.911)	n.a.
<b>EBIT</b>	<b>49.570</b>	<b>48.290</b>	<b>1.280</b>	<b>2,7%</b>
<b>EBIT margin</b>	<b>11,9%</b>	<b>11,7%</b>	<b>0,2%</b>	
Financial income/(expense)	(2.609)	(1.923)	(686)	35,7%
<b>Income before taxes</b>	<b>46.961</b>	<b>46.367</b>	<b>594</b>	<b>1,3%</b>
Income taxes for the period	(12.838)	(13.374)	536	-4,0%
<b>Profit (loss) for the period</b>	<b>34.123</b>	<b>32.993</b>	<b>1.130</b>	<b>3,4%</b>
Profit (loss) for the period attributable to shareholders of the Parent Company	34.170	32.993	1.177	3,6%
Profit (loss) for the period attributable to non-controlling interests	(47)	0	(47)	n.a.

## **RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>(thousands of euros)</i>	<b>30.06.2019</b>	<b>31.12.2018</b>	<b>Change</b>
Property, plant and equipment	975.197	1.000.063	(24.866)
Intangible assets	123.087	122.368	719
Investments in other entities	63.181	60.306	2.875
Non-current trade receivables and payables	(12.062)	(16.394)	4.332
Other non-current assets and liabilities	(102.230)	(113.258)	11.028
<b>Net non-current assets</b>	<b>1.047.173</b>	<b>1.053.085</b>	<b>(5.912)</b>
Inventories	61.261	61.001	260
Trade receivables	300.255	268.076	32.179
Trade payables	(124.600)	(126.122)	1.522
Other current assets and liabilities	(132.132)	(74.714)	(57.418)
Assets held for sale net of related liabilities	1.420	1.458	(38)
<b>Net working capital</b>	<b>106.204</b>	<b>129.699</b>	<b>(23.495)</b>
<b>Gross capital employed</b>	<b>1.153.377</b>	<b>1.182.784</b>	<b>(29.407)</b>
Employee benefit provisions	(54.391)	(52.280)	(2.111)
Provisions for risks and charges	(2.537)	(2.707)	170
Deferred tax assets net of liabilities	12.305	11.720	585
<b>Net capital employed</b>	<b>1.108.754</b>	<b>1.139.517</b>	<b>(30.763)</b>
Shareholders' equity attributable to Parent Company shareholders	1.067.595	1.137.559	(69.964)
Shareholders' equity attributable to non-controlling interest	2.617	0	2.617
<b>Shareholders' equity</b>	<b>1.070.212</b>	<b>1.137.559</b>	<b>(67.347)</b>
Net financial debt	38.542	1.958	36.584
<b>Total funding</b>	<b>1.108.754</b>	<b>1.139.517</b>	<b>(30.763)</b>

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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 2019, 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.*

### 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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