

ENAV's Board of Directors approves the first nine months 2018 results

Operating performance among the best in Europe in a context of strong traffic growth

- **En-route and terminal traffic** grow 9.2% and 4.2% YoY respectively, in terms of service units¹
- **Consolidated net revenue** of 675.6 million euro (+0.4% YoY).
Revenues from operations up 6.8% partly offset by negative *balance*²
- **Consolidated EBITDA** at 234.9 million euro (+1.9% YoY)
- **Consolidated net profit** of 98.8 million euro, up 10.2% YoY.

Rome, November 13, 2018 - The ENAV SpA Board of Directors, held today under the chairmanship of Nicola Maione, approved the preliminary results at 30 September 2018.

The Chief Executive Officer Roberta Neri said: *the first nine months of the year confirm the positive trend of air traffic over the Italian airspace with the highest growth rate among largest European countries. Despite the growth in volumes managed, thanks to our people and to the significant investments in safety and innovation, we have delivered one of the best operating performances - among the major European countries - in terms of safety and punctuality. The implementation of the Free Route procedure which allows airlines to save time, fuel and CO2 emissions, not only allowed us to attract traffic flows but, in the first nine months, allowed airlines to save around 30 million kg of fuel globally, to the full benefit of the environment and airline costs. Our focus remains on the objectives of the business plan: to guarantee a high quality service in terms of safety and punctuality through an increasingly efficient company, future oriented and ready to capture the opportunities of the rapidly evolving air transport market.*

The first nine months of 2018 were characterised by a marked increase in service units both in terms of en-route and terminal traffic.

En-route traffic in Italy, in terms of service units, **grew 9.2%** vs. 2017, delivering **the highest growth rate among the largest European countries: France +2%, Germany +3.5%, Great Britain +3.1%, Spain +4.8%**. The Company's operating performance was also one of the strongest amongst the largest European service providers with average minutes of delay per assisted flight in the first nine months of the year 50% lower than the assigned target (0.052 minutes vs. 0.11 minutes of the target).

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.

² 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 growth in en-route traffic over Italian airspace was driven by both domestic and international traffic (+2.7% and +7.4% respectively) and, in particular, by overflight traffic (flights that do not take off or land in the country), which showed an increase of 15.1% in terms of service units. This performance was attributable, in addition to the solid results on punctuality, also to the implementation of the Free Route procedure that allows all aircraft at an altitude of over 9,000 metres, to cross national airspace following a direct route thus permitting airlines to plan the shortest trajectories with no restrictions, saving fuel and operating costs and also reducing CO2 emissions.

Terminal traffic³ rose by 4.2% in the first nine months of 2018 in terms of service units compared to the same period of 2017. The growth is driven by the positive performance on all national airports in particular related to international traffic, which showed an increase of 5.3%. The main Italian airports recorded an increase, in terms of service units, in line with the national average: Fiumicino +4.6%, Malpensa +7.6%, Venice +5.8%, Bergamo +4.7%. Milan Linate airport was the only major Italian airport to report a decline of 4%, due to Air Berlin ceasing operations and Air Italy having reduced its flights. Airports in southern Italy also showed a significant increase: Naples +9.7%, Catania +8.3%, Palermo +12.9%, Bari +4.3%.

FINANCIAL PERFORMANCE

Total consolidated net revenue in the first nine months of 2018 amounted to 675.6 million euro, with an increase of 0.4% YoY, driven by a strong performance in revenues from operations, offset by the decrease in the *performance scheme* tariff applied in 2018 and by the disappearance, in the first nine months of the year, of the balance relating to traffic risk.

Revenues from operations increased 6.8% to 715 million euro, mainly driven by the increase of 9.7% of revenues from en-route services which reached 524.7 million euro. Terminal revenues rose by 0.5% to 170.5 million euro due to the combined effect of the increase in service units and the reduction in the applied tariffs. Revenues from the non-regulated business amounted to 10 million euro, down by around 600,000 euro compared with the same period last year, due to the completion of certain contracts in the Middle East and in Africa.

The **balance** was negative for 72.5 million euro on the revenues with a negative variation, compared to the same period of 2017, of 50.7 million euro, as a result of the combined effect of: i) the lower en-route positive balance recorded in first nine months of 2018, compared with the same period of the previous year, for a total of 21.6 million euro, referred to the en-route balance, in which the difference between the service units developed in the first nine months of 2018 compared to the estimates in the performance plan was -1.34%. This value falls within the +/- 2% band of variation that remains the responsibility of the service provider, thus not generating any balance for the period, which instead amounted to € 17.4 million in the third quarter of 2017; and ii) higher balance reversal applied in the 2018 tariff, for a negative amount of 43 million euro (-18 million euro in the first nine months of 2017).

³ which covers the take-off and landing activities within a radius of about 20 km from the airport runway.

Operating costs stood at 440.7 million euro, a decrease of 0.4% compared with the first nine months of 2017.

The ENAV Group continued to deliver on its cost-efficiency path, through actions on specific expenditure items and on the optimization of processes among the Group companies.

Personnel costs stood at 358 million euro, up 1.1% compared with the same period last year, as a result of an increase in variable remuneration of 2.7 million euro, due to the higher overtime paid to operating staff and related to the growth in air traffic volumes handled in the period, and a result of the labor contract renewal. In the first nine months of 2018 the Company saw higher capitalized internal works, related to investment projects carried out by the subsidiary Techno Sky for the adjustment of airport weather systems, the consolidation of certain approach control services and the development of platforms for air traffic management with a positive impact of 22.9 million euro.

External costs recorded a reduction of 2.9% compared to September 30, 2017, reaching 105.5 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.

These initiatives contributed to a 1.9% increase in **EBITDA** to 234.9 million euro, with an EBITDA margin of 34.8%, increasing 0.6 p.p. compared to the first nine months of 2017.

The consolidated **EBIT** in the first nine months of 2018 stood at 141 million euro, up 9.2%, also thanks to the positive outcome of certain disputes with suppliers and employees. EBIT margin at 30 September 2018 reached 20.9%, up by 1.7% compared to the same period of the previous year.

Consolidated Net Profit in the first nine months of 2018 increased to 98.8 million euro, up 10.2%.

The **Net Financial Position** at 30 September 2018 is negative for 55.3 million euros, improving significantly over the negative amount of 117.5 million euro recorded as of December 31, 2017. This result was due to the dynamics of cash-ins and payments relating to the ordinary course of business that produced a positive cash flow, also as a result of the increase in turnover driven by the growth in traffic, to the payment of the dividend of 100.9 million euro and to the balance and first advance payment of IRES tax amounting to 17.6 million euro and to the 2.6 million euro purchase of treasury shares.

Guidance for 2018 revised upwards on EBITDA margin

For 2018 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 scheme tariff of 2018 compensated by growth in traffic.

The solid operating performance combined with the effectiveness of cost efficiency initiatives, allow the Company to revise upwards the EBITDA margin guidance from "in line with 2017, around 32%" to "around 33%".

In terms of Capex, the Company confirms its guidance to invest approximately 125 million euro in 2018 in compliance with the programs set out in the 2018-2022 business plan. ENAV also confirms its guidance on the dividend for 2019 which is expected to increase by 4% over the dividend of 2018 approved by the AGM held on April 27, 2018, in line with the dividend policy.

Purchase of treasury shares

As already communicated to the market, with the last transactions carried out on October 12, 2018, ENAV has completed the purchase of treasury shares, pursuant to the authorization granted by the Shareholders' Meeting held in April 2018, to be allocated to service the remuneration policies adopted by the Company. ENAV holds in portfolio 1,200,000 treasury shares, equal to 0.22151% of its share capital.

New composition of committees

By the resolutions of the Board of Directors held on 8 November 2018, and following the appointment of the Board member Mr. Nicola Maione as Chairman of the Board of Directors of ENAV, the new composition of the board committees are as follows:

- **Control, Risks and Related Parties Committee:** Antonio Santi (Chairman), Mario Vinzia and Fabiola Mascardi.
- **Remuneration and Appointments Committee:** Carlo Paris (Chairman), Giuseppe Acierno and Maria Teresa Di Matteo.
- **Sustainability Committee:** Giuseppe Acierno (Chairman), Fabiola Mascardi and Carlo Paris.

CONSOLIDATED INCOME STATEMENT

	3rd quarter 2018	3rd quarter 2017	Variations	
			Values	%
Revenues from operations	715.055	669.345	45.710	6,8%
Balance	(72.496)	(21.786)	(50.710)	232,8%
Other operating income	33.061	25.429	7.632	30,0%
Total revenues	675.620	672.988	2.632	0,4%
Personnel costs	(358.005)	(354.188)	(3.817)	1,1%
Capitalisation of internal work	22.857	20.396	2.461	12,1%
Other operating expenses	(105.534)	(108.734)	3.200	-2,9%
Total operating costs	(440.682)	(442.526)	1.844	-0,4%
EBITDA	234.938	230.462	4.476	1,9%
EBITDA margin	34,8%	34,2%	0,6%	
Net amortisation of investment contributions	(94.521)	(96.540)	2.019	-2,1%
Write-downs, losses (write-backs) of value and provisions	455	(4.912)	5.367	-109,3%
EBIT	140.872	129.010	11.862	9,2%
EBIT margin	20,9%	19,2%	1,7%	
Financial income (expenses)	(1.786)	(1.559)	(227)	14,6%
Pre-tax income	139.086	127.451	11.635	9,1%
Income taxes for the period	(40.316)	(37.812)	(2.504)	6,6%
Profit/(loss) for the period	98.770	89.639	9.131	10,2%

Value in thousands of Euro

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	30.09.2018	31.12.2017	Variations
Tangible assets	992.338	1.027.516	(35.178)
Intangible assets	122.934	124.414	(1.480)
Investments in other companies	59.557	51.217	8.340
Non-current trade receivables and payables	2.349	64.526	(62.177)
Other non-current assets and liabilities	(93.938)	(68.394)	(25.544)
Net fixed capital	1.083.240	1.199.279	(116.039)
Inventories	61.121	60.986	135
Trade receivables	349.966	285.810	64.156
Trade payables	(117.364)	(130.854)	13.490
Other current assets and liabilities	(157.885)	(134.635)	(23.250)
Assets held for disposal net of related liabilities	1.469	695	774
Net working capital	137.307	82.002	55.305
Gross net fixed capital	1.220.547	1.281.281	(60.734)
Employee severance indemnity and other benefits	(53.745)	(55.636)	1.891
Provisions for risks and charges	(7.805)	(9.479)	1.674
Deferred tax assets net of liabilities	19.017	21.281	(2.264)
Net invested capital	1.178.014	1.237.447	(59.433)
Shareholders' equity	1.122.670	1.119.965	2.705
Net Financial Indebtedness	55.344	117.482	(62.138)
Total coverage sources	1.178.014	1.237.447	(59.433)

Value in thousand of Euro

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.

ENAV informs that preliminary results at 30 September 2018, 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, and on the website of the "Info" authorized storage system www.linfo.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 writedowns 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 indebtedness: 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 absorb.

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