ENAV's Board of Directors approves the first half 2018 results

Strong increase in traffic and operating performance among the best in Europe

- **En-route and terminal traffic** grow 8.7% and 4.4% respectively, in terms of service units[1] vs. 1H 2017

- **Consolidated net revenue** of 411 million euro (+0.2% YoY).
  Revenues from operations up 6.5% offset by negative *balance*[2]

- **Consolidated EBITDA** at 111.5 million euro (+0.5% YoY)

- **Consolidated net profit** of 33 million euro, up 22.2% YoY.

Rome, 2 August 2018 - The ENAV SpA Board of Directors held today under the chairmanship of Roberto Scaramella approves the first half 2018 financial report.

The Chief Executive Officer Roberta Neri said: *the first half of 2018 delivered excellent expectations with regard to the rebound of air traffic in our country and represents a meaningful confirmation of a higher growth rate then the other large European countries, while also delivering one of the best operating performances. The professionalism of our people and the investments in technology have enabled us to implement – ahead of other main air navigation service providers in Europe - the Free Route procedure which allows airlines to save time, fuel and CO2 emissions, making our airspace more attractive. The signing of the new labour contract agreement represents an important milestone and enables us to work all together on the Company's positives prospects.*

The first half of 2018 was characterised by a marked increase in service units both in terms of en-route and terminal traffic, and by the ongoing focus on efficiency and on the improvement of processes among the Group companies, in line with the objectives defined in the 2018-2022 Business Plan.

En-route traffic in Italy, in terms of service units, **grew 8.7%** vs. 2017, delivering **the highest growth rate among largest European countries: France +2.3%, Germany +3.3%, Great Britain +3.3%, Spain +5.1%.** 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 six months of the year of 0.069 minutes compared to an assigned target of 0.11 minutes.

The growth in en-route traffic over Italian airspace involved both domestic and international traffic (+2.6% and +7.6% respectively), and, in particular, overflight traffic (planes that

[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.

merely fly over the country, i.e. they do not take off or land there), which showed an increase of 14.5% 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 traffic (which covers the take-off and landing activities within a radius of about 20 km from the airport runway), rose by 4.4% in 1H 2018 in terms of service units compared to the same period in 2017. This growth was mainly due to the excellent trends in international traffic, which showed an increase of 5.5%. The main Italian airports recorded an increase, in terms of service units, in line with the national average: Fiumicino +4.6%, Malpensa +6.6%, Venice +3.8%, Bergamo +6%. Milan Linate airport was the only major Italian airport to record a decline of 3.3%, due to Air Berlin ceasing operations and Air Italy having reduced its flights. Airports in southern Italy also showed a significant increase: Naples +15.8%, Catania +8.3%, Palermo +13.2%, Bari +2.3%.

FINANCIAL PERFORMANCE

Total consolidated net revenue in 1H 2018 amounted to 411 million euro, with an increase of 0.2% compared to the first half of 2017, driven by a strong performance in revenues from operations, offset by the decrease in the regulated tariff and by the disappearance in the first six months of the year of the balance relating to traffic risk.

Revenues from operations increased 6.5% to 417 million euro, mainly driven by the increase of 9.3% of revenues from en-route services which reached 301 million euro. Terminal revenues rose by 0.7% to 103 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 6.4 million euro, marginally down (-2%) compared with the same period last year.

The **balance** had a negative impact of 24 million euro on the revenues as a result of the combined effects of two events: 1) the lower en-route balances recorded in first half of 2018, compared with the same period of the previous year, for a total of 13.1 million euro, as a result of the significant gap reduction between the actual service units recorded in the first half of 2018 and the performance plan service units, which reached -1.76% thus falling within the +/- 2% band of variation that remains the responsibility of the service provider, and therefore does not generate balance for the period and ii) the higher balance reversal in the 2018 tariff, for a negative amount of €24.7 million compared to a negative amount of €12.7 million recorded in the first half of 2017.

Operating costs stood at 299.5 million euro, an increase of 0.2% compared with the first half 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 244 million euro, an increase of 2% compared with the same period last year, as a result of the increase of fixed remuneration, due to contract renewal costs, partly offset by the headcount reduction of 55 resources on average and of 72 resources in total. Variable remuneration recorded a total increase of 2.9 million euro due to an increase

in overtime for operating staff, associated with increased air traffic volumes handled in the period, and to the increase in performance bonuses paid to employees and senior executives.

External costs amounted to 71.5 million euro, with a significant reduction of 3.1% compared to 1H 2017 thanks to a general decrease in the cost of utilities and telecommunications, to the optimization of our office premises and to the lower recourse to external consultancies and professional services through a greater use of insourcing.

These initiatives contributed to a 0.5% increase in **EBITDA** to 111.5 million euro, with an EBITDA margin of 27.1%, in line with the first half of 2017.

The consolidated **EBIT** in the first six months of 2018 grew by 21.3% to 48.3 million euro, also thanks to certain positive settlements in the period and to the effect of a one-off write-down in the 1H 2017 of certain receivables due from Alitalia, following the beginning of the court administrative procedure.

Consolidated Net Profit for 1H 2018 rose by 22.2% reaching 33 million euro.

The **Net Financial Position** at 30 June 2018 showed a net debt of €181.3 million, up by €63.8 million compared to 31 December 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. Thanks to the strong cash flow generation the Company expects to reach a net financial debt at the end of the year below 80 million euro.

Guidance for 2018 confirmed
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 plan regulated tariff of 2018 compensated by growth in traffic, and with an EBITDA margin around 32%, in-line with 2017. In terms of Capex, the Company confirms its guidance to invest approximately 125 million euro in 2018, higher than the 115 million euro recorded in 2017. 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 our dividend policy of paying out no less than 80% of equity free cash flow.

Purchase of treasury shares
On 30 May 2018, the Board of Directors, in accordance with the shareholders' resolution, assigned to the CEO the power to purchase treasury shares up to a maximum of 1,200,000 shares and up to 15 April 2019 to implement the Company's remuneration policies.
As of 30 June 2018, ENAV holds 206,955 treasury shares for a value of 850,700 euro corresponding to 0.0382% of the share capital.

BUSINESS OUTLOOK

The first data observed in July confirms the air traffic growth trend observed so far and leads us to expect that this year's end-of-year result, in terms of service units, will be similar to the levels recorded in this first half. Such growth would allow the Parent Company to position itself within the so-called dead band with regard to coverage of traffic risk (+/- 2% of the traffic budgeted for in the performance plan). Any further increases in traffic and the related revenues should, therefore, be to the total benefit of the Group.
As for cost trends, we expect there to be a continuity of action in the second half of the year in line with the Group's new Business Plan.
The activities related to the preparation of the next regulatory period will also be just as important. In this context, the European Commission has issued the first draft of the new EU regulation that will regulate the operations and economic management of the providers of European flight assistance services for the third Reference Period (2020-2024). At the same time, the Commission also made a first proposal on the expected levels of economic and operating performance that providers will be required to achieve for the above-mentioned period. The approval of the Regulation and of the performance targets will presumably be completed by the end of this year.
For this reason, just as it did in the preliminary phase of the first two Reference Periods, ENAV will be further engaged over the coming months in taking a leading role in the main discussions on regulations for the sector, in consultation with the national regulator, and also in preparing its economic planning for the period 2020-2024, in line with the guidelines from the Regulator and the strategic objectives of the 2018-2022 Business Plan.

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The Board of Directors of ENAV held today also acknowledged the positive outcome of the self-evaluation process of the the Board of Statutory Auditors, periodically undertaken pursuant to art. 21.1 of the Statute and Regulation of the Board of Statutory Auditors.

CONSOLIDATED INCOME STATEMENT

	First Half 2018	First Half 2017	Variations Values	Variations %
Revenues from operations	417.147	391.534	25.613	6,5%
Balance	(24.026)	1.608	(25.634)	n.a
Other operating income	17.870	16.857	1.013	6,0%
Total revenues	**410.991**	**409.999**	**992**	**0,2%**
Personnel costs	(244.092)	(239.091)	(5.001)	2,1%
Capitalisation of internal work	16.116	13.905	2.211	15,9%
Other operating expenses	(71.504)	(73.819)	2.315	-3,1%
Total operating costs	**(299.480)**	**(299.005)**	**(475)**	**0,2%**
EBITDA	**111.511**	**110.994**	**517**	**0,5%**
EBITDA margin	**27,1%**	**27,1%**	**0,0%**	
Net amortisation of investment contributions	(64.536)	(66.009)	1.473	-2,2%
Write-downs, losses (write-backs) of value and provisions	1.315	(5.168)	6.483	n.m
EBIT	**48.290**	**39.817**	**8.473**	**21,3%**
EBIT margin	**11,7%**	**9,7%**	**2,0%**	
Financial income (expenses)	(1.923)	(631)	(1.292)	n.m
Pre-tax income	**46.367**	**39.186**	**7.181**	**18,3%**
Income taxes for the period	(13.374)	(12.178)	(1.196)	9,8%
Profit/(loss) for the period	**32.993**	**27.008**	**5.985**	**22,2%**

Value in thousands of Euro

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	30.06.2018	31.12.2017	Variations
Tangible assets	1.008.647	1.027.516	(18.869)
Intangible assets	123.233	124.414	(1.181)
Investments in other companies	59.139	51.217	7.922
Non-current trade receivables and payables	38.122	64.526	(26.404)
Other non-current assets and liabilities	(75.842)	(68.394)	(7.448)
Net fixed capital	**1.153.299**	**1.199.279**	**(45.980)**
Inventories	60.928	60.986	(58)
Trade receivables	350.582	285.810	64.772
Trade payables	(142.452)	(130.854)	(11.598)
Other current assets and liabilities	(140.965)	(134.635)	(6.330)
Assets held for disposal net of related liabilities	1.346	695	651
Net working capital	**129.439**	**82.002**	**47.437**
Gross net fixed capital	**1.282.738**	**1.281.281**	**1.457**
Employee severance indemnity and other benefits	(54.477)	(55.636)	1.159
Provisions for risks and charges	(8.034)	(9.479)	1.445
Deferred tax assets net of liabilities	19.073	21.281	(2.208)
Net invested capital	**1.239.300**	**1.237.447**	**1.853**
Shareholders' equity	1.057.980	1.119.965	(61.985)
Net Financial Indebtedness	181.320	117.482	63.838
Total coverage sources	**1.239.300**	**1.237.447**	**1.853**

Value in thousand of Euro

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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 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 "1info" authorized storage system www.1info.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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