

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 units¹;
- **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).

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.	%
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 traffic² 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)		First quarter 2019	First quarter 2018	Change	
				no.	%
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

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*³ 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, 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.

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

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.

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 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

	First quarter 2019	First quarter 2018	Change	
			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

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 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, and on the website of the "Info" authorized storage system 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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