

PRESS RELEASE

ENAV's Board of Directors approves the results of the first half of 2020

Net profit of 15 million euro despite traffic decrease due to the Covid-19 emergency

- **En-route and terminal traffic** declined by 58.4% and 60.1% YoY respectively, in terms of service units¹;
- **Consolidated net revenue** of 372.5 million euro (-10.7% YoY) due to decline of revenue from operations, down 61.7% YoY, as a result of severe traffic reduction caused by Covid-19, largely offset by positive *balance*;
- **Revenue from non-regulated business** grows almost three times (+186.9% YoY);
- **Consolidated EBITDA** of 88 million euro (-23.5% YoY), as an effect of the decline in revenues partially compensated by cost-efficiency (-5.9%);
- **Consolidated Net Profit** of 15.6 million euro (-54.2% YoY).

Rome, 29 September 2020 – the ENAV S.p.A. Board of Directors meeting, held today under the chairmanship of Francesca Isgrò, approved the 2020 Half-yearly Financial Report.

The first half of 2020 was characterised by a significant reduction in air traffic. Despite a strong start in January and February, with traffic up almost 10%, in the following months traffic volumes declined significantly falling up to 90% over 2019. A marginal rebound in growth was seen in July and August, with a recovery of up to 50% in the number of flights over the same period of 2019. In order to cope with the most difficult months of the emergency, ENAV implemented a contingency plan to guarantee the full operation of air traffic control services while protecting its operational staff's health, carrying out rotating shifts of separate groups of workers, which were managed in total safety. The administrative staff of ENAV adopted smart working practices and online communities in order to maintain the human contact among colleagues. At the same time, ENAV guaranteed the full salary payment to all its personnel.

ENAV's CEO Paolo Simioni commented: *The aviation sector is one of the most affected by the crisis triggered by the spread of Covid-19. It is not simple to predict today how the situation will evolve but I am certain that ENAV, in light of its institutional and strategic role, represents a key factor for a rapid recovery of air transport. As such, during this challenging period, we remain focused on the future of this sector, investing in safety and innovation to maintain our technological and operational leadership. In terms of financials, our Company has a solid capital structure and benefits from a regulatory system that mitigates the impact of traffic risk, even in light of the temporary derogation to the full application of the balance mechanism that the European Commission has proposed for*

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.

2020-21. Thanks to our cost-efficiency initiatives and the positive results from our non-regulated business, we managed to preserve our margins.

En-route traffic in Italy, in terms of service units, decreased by 58.4% in the first half of 2020. While January and February showed a marked increase in en-route traffic in Italy of up to 10%, starting from mid-March onwards, and in particular in April and May, en-route traffic decreased by up to 90%, due to the spread of the Covid-19 virus. Air traffic mainly to and from summer holiday destinations reopened, to a minor extent, only from mid-June. International air traffic (e.g., flights arriving in or departing from an airport abroad) decreased by 64.4%, in terms of service units, in the first half of 2020 vs. the first half of 2019. Overflight traffic (relating to flights that pass through Italian airspace) decreased by 53.9%, in terms of service units, while domestic air traffic (relating to flights arriving in and departing from Italian airports) recorded a decrease of 58.2% in service units.

En-route traffic (service units)	1st Half 2020	1st Half 2019	no.	Change %
Domestic	354.361	848.539	(494.178)	-58,2%
International	661.121	1.856.373	(1.195.252)	-64,4%
Overflight	807.494	1.753.446	(945.952)	-53,9%
Paying total	1.822.976	4.458.358	(2.635.382)	-59,1%
Military	55.163	64.221	(9.058)	-14,1%
Other exempt	6.258	6.030	228	3,8%
Total exempt	61.421	70.251	(8.830)	-12,6%
Total reported by Eurocontrol	1.884.397	4.528.609	(2.644.212)	-58,4%
Exempt not reported to Eurocontrol	572	1.266	(694)	-54,8%
Total	1.884.969	4.529.875	(2.644.906)	-58,4%

Terminal traffic² decreased by 60.1%, in terms of service units, in the first half of 2020. This decrease was consistently recorded throughout Italy.

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

Terminal traffic (service units)		1st Half 2020	1st Half 2019	no.	Change %
Domestic					
	Chg. Zone 1	14.202	31.182	(16.980)	-54,5%
	Chg. Zone 2	15.932	37.190	(21.258)	-57,2%
	Chg. Zone 3	38.925	92.509	(53.584)	-57,9%
	Total domestic SUs	69.059	160.881	(91.822)	-57,1%
International					
	Chg. Zone 1	28.665	81.236	(52.571)	-64,7%
	Chg. Zone 2	54.314	127.750	(73.436)	-57,5%
	Chg. Zone 3	35.284	107.040	(71.756)	-67,0%
	Total international SUs	118.263	316.026	(197.763)	-62,6%
Paying total		187.322	476.907	(289.585)	-60,7%
Exempt					
	Chg. Zone 1	207	63	144	228,6%
	Chg. Zone 2	735	188	547	291,0%
	Chg. Zone 3	3.596	3.599	(3)	-0,1%
	Total exempt SUs	4.538	3.850	688	17,9%
Total reported by Eurocontrol		191.860	480.757	(288.897)	-60,1%
Exempt not reported to Eurocontrol					
	Chg. Zone 1	0	0	0	n.a.
	Chg. Zone 2	12	13	(1)	-7,7%
	Chg. Zone 3	282	455	(173)	-38,0%
	Total exempt SUs not reported to Eurocontrol	294	468	(174)	-37,2%
Total by Charging Zone					
	Chg. Zone 1	43.074	112.481	(69.407)	-61,7%
	Chg. Zone 2	70.993	165.141	(94.148)	-57,0%
	Chg. Zone 3	78.087	203.603	(125.516)	-61,6%
Total		192.154	481.225	(289.071)	-60,1%

FINANCIAL PERFORMANCE

Total consolidated net revenue in the first half of 2020 stood at 372.5 million euro, with a decrease of 10.7% compared to the same period in 2019, with a sharp decline in Revenue from operations, largely offset by the positive effect of **balance³**, which allows for the partial recovery of the decrease in traffic by compensating a significant portion of the lower traffic revenue. **Revenue from operations**, in fact, declined 61.7% over the previous year to 164.4 million euro, mainly due to the material contraction in traffic as well as the reduction of 15.3% of en-route tariffs in 2020 compared to 2019.

Revenue from non-regulated business, on the contrary, improved significantly reaching 11.7 million euro, compared to 4.1 million euro recorded in the first half of 2019. This was mainly due to revenues from IDS AirNav, a company specialized in the management of aeronautical information (acquired by ENAV in July 2019), which signed several contracts in European and non-European countries (France, Taiwan, Mozambique, Romania, and Canada, among others) during the lockdown.

³ The mechanism that allows ENAV to partially 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 effect of **balance** on net revenue was positive for 191.4 million euro, which allowed to partly recover lower current traffic compared to the forecasts in the 2020 tariff. The positive balance posted in our first half 2020 accounts includes the Company's best estimate on the impact of the European Commission's derogation proposal for 2020 and 2021, published last July, which indirectly poses a cap on the amount of balance that can be recovered by ANSPs over these 2 years, in order to help the air traffic sector in such a difficult scenario. This best estimate is built on the assumption of an adequate reduction of ENAV's total actual determined costs of 2019 to be applied to the costs recoverable in the tariff of 2020. The proposal is currently under discussion and based on the official timeline the cost-performance targets are not expected to be defined by the European Commission before April 2021. The positive balance refers to en-route traffic for 147.4 million euro and to terminal traffic for 52.9 million euro.

In order to preserve the Company's margins and, liquidity, while protecting its employees during the crisis of the air transport sector, in Q2 2020 ENAV implemented further cost-efficiency initiatives. **Operating costs** came in at 284.5 million euro, showing a decrease of 5.9% vs. the first half of 2019. On a comparable basis, excluding the effect of IDS AirNav, not consolidated in the first half of 2019, operating costs decreased 8.4% compared to the first half of 2019.

Personnel costs declined by 5.6% to 235.2 million euro, 14 million euro lower than the same period of 2019, despite the inclusion of 150 IDS AirNav employees. In particular, variable retribution declined by 40% as an effect of initiatives put in place to counter the effects of the health emergency, including the utilization of annual leave balances and a reduction in operating staff's overtime pay, for a total of nearly 14.3 million euro. **External costs** showed a decline of 5.4%. This decline was partly compensated by higher costs for the purchase of personal protection equipment from the virus, and exceptional cleaning and sanitization of ENAV's facilities in order to safeguard its staff.

Thanks to the cost-efficiency initiatives implemented, ENAV was able to contain the impact on its consolidated **EBITDA**, which stood at 88 million euro, with a decline of 23.5% compared to the same period in 2019.

EBIT stood at 20.5 million euro, with a decrease of 58.7% compared to the first half of 2019.

Despite the significant reduction in air traffic, ENAV reported a consolidated **net profit** in the first half of 2020 of 15.6 million euro, with a decrease of 54.2% over the same period of the previous year.

The **net financial position** was negative for 98.5 million euro, with a reduction of 224.9 million euro compared to the net cash position of 126.4 million euro as of 31 December 2019. The negative variation is due to ordinary cash-in and payment dynamics related to the business, which generated a negative cash flow as a result of the reduction in revenue caused by the sharp decrease in air traffic, in particular in Q2 2020, and the deferral granted to airlines in the payment of traffic fees related to flights from February to May 2020, which ENAV will receive on a three-month basis starting from November 2020. The net financial position was also affected by the payment of dividends of 112.7 million euro and the payment to the Italian Air Force for the traffic within its competence, partly compensated by

the receipt of a VAT credit refund and funds received from European and PON financed projects.

2020 Outlook

In recent weeks, there has been increased concern of risks of a potential second wave and spread of the Covid-19 virus which has forced various countries to adopt restrictive travel measures (quarantine, partial lockdown, etc.), and which could have a negative impact on air transport for the rest of the year and for the first few months of 2021. While this is not the case for Italy at the moment, a slow-down of air traffic in the nearby countries could have a negative effect on international traffic and on overflights.

Due to this uncertainty, ENAV withdraws its Outlook for 2020, communicated last May, which indicated the expectation of a mid-single digit reduction in net revenue compared to 2019 and a high single digit decrease in net profit compared to 2019. The Company confirms its outlook for capex in 2020 of approximately 80 million euro.

The decision of the Company regarding the dividend for the fiscal year 2020 will be taken by the Board of Directors called to approve the 2020 full year financial results so as to have a precise view on the future cash-flow dynamics.

CONSOLIDATED INCOME STATEMENT

	1st Half 2020	1st Half 2019	Amount	Change %
Revenues from operations	164.482	429.244	(264.762)	-61,7%
Balance	191.432	(29.814)	221.246	n.a.
Other operating income	16.577	17.868	(1.291)	-7,2%
Total revenues	372.491	417.298	(44.807)	-10,7%
Personnel costs	(235.235)	(249.175)	13.940	-5,6%
Capitalised costs	13.239	12.979	260	2,0%
Other operating expenses	(62.473)	(66.064)	3.591	-5,4%
Total operating costs	(284.469)	(302.260)	17.791	-5,9%
EBITDA	88.022	115.038	(27.016)	-23,5%
EBITDA margin	23,6%	27,6%	-4,0%	
Net amortisation of investment grants	(65.229)	(64.872)	(357)	0,6%
Writedowns, impairment (reversal of impairment) and provisions	(2.310)	(596)	(1.714)	287,6%
EBIT	20.483	49.570	(29.087)	-58,7%
EBIT margin	5,5%	11,9%	-6,4%	
Financial income/(expense)	(2.538)	(2.609)	71	-2,7%
Income before taxes	17.945	46.961	(29.016)	-61,8%
Income taxes	(2.310)	(12.838)	10.528	-82,0%
Profit (loss) for the period	15.635	34.123	(18.488)	-54,2%
Profit (loss) for the period pertaining to shareholders of the Parent Company	15.720	34.170	(18.450)	-54,0%
Profit (loss) for the period pertaining to non-controlling interests	(85)	(47)	(38)	80,9%

(thousands of euros)

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30.06.2020	31.12.2019	Amount	%
Property, plant and equipment	937.509	976.272	(38.763)	-4,0%
Right-of-use assets	7.806	8.857	(1.051)	-11,9%
Intangible assets	169.101	171.567	(2.466)	-1,4%
Investments in other entities	64.258	63.225	1.033	1,6%
Non-current trade receivables and payables	176.822	(39.804)	216.626	n.a
Other non-current assets and liabilities	(118.744)	(124.343)	5.599	-4,5%
Net non-current assets	1.236.752	1.055.774	180.978	17,1%
Inventories	61.301	60.690	611	1,0%
Trade receivables	169.560	213.321	(43.761)	-20,5%
Trade payables	(129.364)	(138.754)	9.390	-6,8%
Other current assets and liabilities	(139.590)	(115.855)	(23.735)	20,5%
Assets held for sale net of related liabilities	1.401	1.402	(1)	-0,1%
Net working capital	(36.692)	20.804	(57.496)	-276,4%
Gross capital employed	1.200.060	1.076.578	123.482	11,5%
Employee benefit provisions	(50.551)	(52.509)	1.958	-3,7%
Provisions for risks and charges	(1.816)	(1.778)	(38)	2,1%
Deferred tax assets net of liabilities	10.681	7.376	3.305	44,8%
Net capital employed	1.158.374	1.029.667	128.707	12,5%
Shareholders' equity pertaining to Parent Company shareholders	1.057.440	1.153.543	(96.103)	-8,3%
Shareholders' equity pertaining to non-controlling interests	2.415	2.500	(85)	-3,4%
Shareholders' equity	1.059.855	1.156.043	(96.188)	-8,3%
Net financial position	98.519	(126.376)	224.895	n.a
Funding of net capital employed	1.158.374	1.029.667	128.707	12,5%

(thousands of euros)

The manager in charge of compiling the company's accounting documents, Luca Colman 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 2020, 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.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 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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