

PRESS RELEASE

ENAV's Board of Directors approves the results of the first nine months of 2020

Cost efficiency and focus on non-regulated business to manage the pandemic challenges

- **En-route and terminal traffic** declined by 59.6% and 58.8% YoY respectively, in terms of service units¹;
- **Consolidated net revenue** of 589.1 million euro (-14.8% YoY) due to decline of revenue from operations, down 62.6% YoY, as a result of severe traffic reduction caused by Covid-19, largely offset by positive *balance*²;
- **Consolidated EBITDA** of 175.7 million euro (-25.8% YoY) as an effect of the decline in revenues partially compensated by cost-efficiency (-9%);
- **Consolidated Net Profit** of 55.1 million euro (-44.2% YoY).

Rome, 12 November 2020 – The ENAV S.p.A. Board of Directors meeting, held today under the chairmanship of Francesca Isgrò, approved the preliminary results at 30 September 2020.

ENAV's CEO Paolo Simioni commented: *the aviation sector remains strongly linked to the pandemic situation globally with economic and financial impacts that do not leave us completely untouched.*

Thanks to cost efficiency and the push on non-regulated business, we are managing the challenges that the pandemic imposes on us. We remain focused on technological innovation, the digitization of systems and continuous professionalization of our staff, guarantying the full operation and safety of the air navigation services and our people, aware of the essential service role that ENAV plays for Italy and for the sector.

First nine months of 2020 were characterised by a significant reduction in air traffic. After 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 and then stabilized around a decline between 55% and 60% in the summer months, compared to the same period last year. In Europe, again with reference to the service units, the average decline for the period January - September 2020 for the member states of Eurocontrol was -56.7%; in particular: Germany (-53.0%), Great Britain (-57.5%), Spain (-59.4%) and France (-59.3%). Despite the emergency caused by the Covid-19 pandemic, ENAV has ensured the full operation of air traffic control services while protecting its operational and administrative staff's health.

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 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.

En-route traffic in Italy, in terms of service units, decreased by 59.6% in the first nine months of 2020. International air traffic (e.g., flights arriving in or departing from an airport abroad) decreased by 65.1% YoY, in terms of service units. Overflight traffic (relating to flights that pass through Italian airspace) decreased by 59.8%, in terms of service units, while domestic air traffic (relating to flights arriving in and departing from Italian airports) recorded a decrease of 50% in service units.

En-route traffic (service units)	3rd Quarter 2020	3rd Quarter 2019	no.	Change %
Domestic	677.993	1.356.563	(678.570)	-50,0%
International	1.114.747	3.191.618	(2.076.871)	-65,1%
Overflight	1.299.304	3.229.958	(1.930.654)	-59,8%
Paying total	3.092.044	7.778.139	(4.686.095)	-60,2%
Military	84.479	91.350	(6.871)	-7,5%
Other exempt	9.794	9.315	479	5,1%
Total exempt	94.273	100.665	(6.392)	-6,3%
Total reported by Eurocontrol	3.186.317	7.878.804	(4.692.487)	-59,6%
Exempt not reported to Eurocontrol	1.876	2.306	(430)	-18,6%
Total	3.188.193	7.881.110	(4.692.917)	-59,5%

Terminal traffic³ decreased by 58.8%, in terms of service units, in the first nine months of 2020. This decrease was consistently recorded throughout Italy.

Terminal traffic (service units)	3rd Quarter 2020	3rd Quarter 2019	no.	Change %
Domestic				
Chg. Zone 1	21.553	47.790	(26.237)	-54,9%
Chg. Zone 2	30.170	58.725	(28.555)	-48,6%
Chg. Zone 3	77.509	149.623	(72.114)	-48,2%
Total domestic SUs	129.232	256.138	(126.906)	-49,5%
International				
Chg. Zone 1	39.135	131.995	(92.860)	-70,4%
Chg. Zone 2	82.211	202.796	(120.585)	-59,5%
Chg. Zone 3	65.579	187.875	(122.296)	-65,1%
Total international SUs	186.925	522.666	(335.741)	-64,2%
Paying total	316.157	778.804	(462.647)	-59,4%
Exempt				
Chg. Zone 1	263	94	169	179,8%
Chg. Zone 2	909	268	641	239,2%
Chg. Zone 3	5.627	5.560	67	1,2%
Total exempt SUs	6.799	5.922	877	14,8%
Total reported by Eurocontrol	322.956	784.726	(461.770)	-58,8%
Exempt not reported to Eurocontrol				
Chg. Zone 1	0	0	0	n.a.
Chg. Zone 2	22	17	5	29,4%
Chg. Zone 3	589	744	(155)	-20,8%
Total exempt SUs not reported to Eurocontrol	611	761	(150)	-19,7%
Total by Charging Zone				
Chg. Zone 1	60.951	179.879	(118.928)	-66,1%
Chg. Zone 2	113.312	261.806	(148.494)	-56,7%
Chg. Zone 3	149.304	343.802	(194.498)	-56,6%
Total	323.567	785.487	(461.920)	-58,8%

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

FINANCIAL PERFORMANCE

Total consolidated net revenue in the first nine months of 2020 stood at 589.1 million euro, with a decrease of 14.8% compared to the same period in 2019, with a sharp decline in Revenue from operations, largely offset by the positive effect of balance 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 62.6% over the previous year to 276 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.

The effect of **balance** on net revenue was positive for 286.7 million euro, which allowed to partly recover lower current traffic compared to the forecasts in the 2020 tariff. The balance has been calculated in line with the European Commission's regulation published on 4 November which provides a temporary derogation for 2020 and 2021 to the Single European Sky performance and charging scheme.

The positive balance refers to en-route traffic for 212. million euro and to terminal traffic for 74.1 million euro.

Revenue from non-regulated business, on the contrary, improved significantly reaching 16.4 million euro, compared to 9.1 million euro recorded in the same period 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 for the maintenance and services linked to the products sold to customers in European and non-European countries.

In order to preserve the Company's margins and, liquidity, while protecting its employees during the crisis of the air transport sector, starting from March, ENAV implemented further cost-efficiency initiatives. **Operating costs** came in at 413.4 million euro, showing a decrease of 9% vs. the same period of 2019.

Personnel costs declined by 8.5% to 342.9 million euro, 31.9 million euro lower than the same period of 2019. In particular, variable retribution declined by 52.5% 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 29.5 million euro.

External costs showed a decline of 10%. 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 the staff.

Thanks to the cost-efficiency initiatives implemented, ENAV was able to contain the impact on its consolidated **EBITDA**, which stood at 175.7 million euro, with a decline of 25.8% compared to the same period in 2019.

EBIT stood at 77.4 million euro, with a decrease of 45.7% YoY.

ENAV reported a consolidated **net profit** in the first nine months of 2020 of 55.1 million euro, with a decrease of 44.2% over the same period of the previous year.

Net financial position stood at 228.2 million euros, with a negative effect of 354.6 million euros compared to the figure as of 31 December 2019. The decline 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 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.

MAIN EVENTS AFTER THE REPORTING PERIOD

On the 29 October ENAV has signed two ESG Sustainability Linked Term Loan for a total amount of 150 million euros through two bilateral agreements, of 100 million euros with Intesa Sanpaolo and 50 million euros with Mediobanca – Banca di Credito Finanziario S.p.A. The two Italian banks will both act as Original Lender and Sustainability Coordinator. The 3 years term credit lines have an interest rate indexed to the EURIBOR, with a pricing mechanism linked to specific ESG - Environmental, Social, Governance - targets. This operation is part of the ENAV's already undertaken route of integrating sustainability into its strategy, aiming to have a sustainable growth and confirms the Group's strong commitment in evolving towards a model which increasingly consolidate sustainability as a strategic item for creating value for all its stakeholders.

The Loans are part of the ordinary, proactive and prudential approach to liquidity management, and will be utilized to optimize future years cash flow.

CONSOLIDATED INCOME STATEMENT

	3rd Quarter 2020	3rd Quarter 2019	Amount	Change %
Revenues from operations	276.031	737.818	(461.787)	-62,6%
Balance	286.666	(75.915)	362.581	n.a.
Other operating income	26.367	29.428	(3.061)	-10,4%
Total revenues	589.064	691.331	(102.267)	-14,8%
Personnel costs	(342.891)	(374.803)	31.912	-8,5%
Capitalised costs	19.979	20.842	(863)	-4,1%
Other operating expenses	(90.453)	(100.504)	10.051	-10,0%
Total operating costs	(413.365)	(454.465)	41.100	-9,0%
EBITDA	175.699	236.866	(61.167)	-25,8%
EBITDA margin	29,8%	34,3%	-4,5%	
Net amortisation of investment grants	(94.989)	(94.769)	(220)	0,2%
Writedowns, impairment (reversal of impairment) and provisions	(3.308)	367	(3.675)	n.a.
EBIT	77.402	142.464	(65.062)	-45,7%
EBIT margin	13,1%	20,6%	-7,5%	
Financial income/(expense)	(4.372)	(3.144)	(1.228)	39,1%
Income before taxes	73.030	139.320	(66.290)	-47,6%
Income taxes	(17.949)	(40.525)	22.576	-55,7%
Profit (loss) for the period	55.081	98.795	(43.714)	-44,2%
Profit (loss) for the period attributable to shareholders of the Parent Company	55.283	98.914	(43.631)	-44,1%
Profit (loss) for the period attributable to non-controlling interests	(202)	(119)	(83)	69,7%

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30.09.2020	31.12.2019	Amount	%
Property, plant and equipment	921.638	976.272	(54.634)	-5,6%
Right-of-use assets	7.341	8.857	(1.516)	-17,1%
Intangible assets	173.177	171.567	1.610	0,9%
Investments in other entities	61.467	63.225	(1.758)	-2,8%
Non-current trade receivables and payables	271.571	(39.804)	311.375	n.a.
Other non-current assets and liabilities	(125.832)	(124.343)	(1.489)	1,2%
Net non-current assets	1.309.362	1.055.774	253.588	24,0%
Inventories	61.325	60.690	635	1,0%
Trade receivables	247.134	213.321	33.813	15,9%
Trade payables	(137.710)	(138.754)	1.044	-0,8%
Other current assets and liabilities	(117.022)	(115.855)	(1.167)	1,0%
Assets held for sale net of related liabilities	1.401	1.402	(1)	-0,1%
Net working capital	55.128	20.804	34.324	165,0%
Gross capital employed	1.364.490	1.076.578	287.912	26,7%
Employee benefit provisions	(50.350)	(52.509)	2.159	-4,1%
Provisions for risks and charges	(2.054)	(1.778)	(276)	15,5%
Deferred tax assets net of liabilities	12.316	7.376	4.940	67,0%
Net capital employed	1.324.402	1.029.667	294.735	28,6%
Shareholders' equity attributable to Parent Company shareholders	1.093.859	1.153.543	(59.684)	-5,2%
Shareholders' equity attributable to non-controlling interests	2.298	2.500	(202)	-8,1%
Shareholders' equity	1.096.157	1.156.043	(59.886)	-5,2%
Net financial debt	228.245	(126.376)	354.621	n.a.
Funding of net capital employed	1.324.402	1.029.667	294.735	28,6%

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 Financial Report at 30 September 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.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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