



**Interim Financial Report
at 30 September 2020**

ENAV Group

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ENAV Group in figures

Performance	3rd Quarter 2020	3rd Quarter 2019	Change	%
Total revenues	589,064	691,331	(102,267)	-14.8%
EBITDA	175,699	236,866	(61,167)	-25.8%
EBITDA margin	29.8%	34.3%	-4.5%	
EBIT	77,402	142,464	(65,062)	-45.7%
EBIT margin	13.1%	20.6%	-7.5%	
Profit for the period attributable to shareholders of the Parent Company	55,283	98,914	(43,631)	-44.1%
			<i>(thousands of euros)</i>	
Financial position	30.09.2020	31.12.2019	Change	%
Net capital employed	1,324,402	1,029,667	294,735	28.6%
Consolidated shareholders' equity	1,096,157	1,156,043	(59,886)	-5.2%
Net financial debt	228,245	(126,376)	354,621	n.a.
			<i>(thousands of euros)</i>	
Other indicators	3rd Quarter 2020	3rd Quarter 2019	Change	%
En-route service units	3,188,193	7,881,110	(4,692,917)	-59.5%
Terminal service units Charging Zone 1	60,951	179,879	(118,928)	-66.1%
Terminal service units Charging Zone 2	113,312	261,806	(148,494)	-56.7%
Terminal service units Charging Zone 3	149,304	343,802	(194,498)	-56.6%
Free cash flow (thousands of euros)	(241,403)	167,940	(409,343)	n.a.
Headcount at end of period	4,185	4,230	(45)	-1.1%

Introduction

The ENAV Group Interim Financial Report at 30 September 2020 has been prepared on a voluntary basis in compliance with the provisions of Article 82-ter of the Issuers' Regulation, adopted with Consob Resolution no. 11971 of 14 May 1999 as amended, to ensure consistent financial disclosure to the market and investors, in line with the practice of the major listed companies that publish quarterly reports.

This document reports and discusses the reclassified consolidated income statement and the statement of financial position, the statement of changes in net financial position and the statement of cash flows of the ENAV Group at 30 September 2020, with comparative figures for the corresponding period of the previous year for the income statement and cash flow statement and at 31 December 2019 for the statement of financial position. The figures are reported in thousands of euros.

Unless otherwise stated, the consolidated financial statements have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the associated interpretations (IFRIC and SIC), endorsed by the European Commission in accordance with Regulation (EC) no. 1606/2002, that were in effect at the end of the period, and are consistent with those used to prepare the consolidated financial statements for the year ending 31 December 2019, which readers are invited to consult. It should be noted that the section on the use of estimates and management judgements in the Annual Financial Report at 31 December 2019 has been updated in order to incorporate the ESMA recommendations published in March, May and July 2020 and the Consob warning notices no. 6/20 of 9 April 2020 and no. 8/20 of 16 July 2020 concerning the impact of the COVID-19 pandemic, the results of which are reported in the Consolidated Interim Financial Report at 30 June 2020, which readers are invited to consult.

The Interim Financial Report at 30 September 2020 has not been prepared in accordance with IAS 34, and has not been audited by the audit firm.

The publication of this Interim Financial Report was authorised by the Board of Directors on 12 November 2020.

The consolidation principles used to prepare the Interim Financial Report at 30 September 2020 are consistent with those used to prepare the consolidated financial statements at 31 December 2019, approved on 12 March 2020 by the Board of Directors and available on the website www.enav.it at the following address: <https://www.enav.it/sites/public/en/InvestorRelations/Financial-Statements-and-Reports.html>.

The scope of consolidation at 30 September 2020 has changed compared with that at 31 December 2019 due to the inclusion as from 2 January 2020 of the non-operational company ENAV España Control Aereo S.L.U. following acquisition of its entire share capital by the Parent Company in order to participate in a tender organised by the Spanish airport operator.

Market and air traffic developments

The scenario that emerged in the first half of 2020, characterised by the effects of the global health emergency, which led to a sharp contraction in economic activity, substantially continued during the third quarter of the year. The crisis triggered by the COVID-19 pandemic has also produced inevitable repercussions on one of the national assets strongly correlated with Italy's economic performance, namely the air transport sector.

En-route traffic to Italy experienced a drastic reduction in volumes in the January-September 2020 period, with a contraction in en-route service units (*) of 59.6% compared with the same period of the previous year. Equally unfavourable was performance in the third quarter of 2020 alone, which posted an average reduction, in terms of service units, of 61.1%, posting figures of -67.5%, -55.8% and -60.1% in July, August and September respectively. These figures, although negative, nevertheless delineate a recovery in traffic levels compared with the second quarter of 2020, when the decline in service units was 89.2%.

Similar developments were registered in Europe, where the average number of service units in the first nine months of 2020 for the countries belonging to Eurocontrol decreased by 56.7%, with all the countries in the continental European peer group posting declines: Germany (-53.0%), the United Kingdom (-57.5%), Spain (-59.4%) and France (-59.3%).

At the European level, the resurgence of the pandemic in September, which then worsened further in October - representing the so-called second wave of the COVID-19 emergency - caused a further decline in traffic. Many European countries are adopting new measures to limit personal mobility and imposing partial lockdowns, with closures of a range of economic activities, the effects of which could affect traffic volumes in the coming months. In September, STATFOR, the statistics and forecasting service of Eurocontrol, revised its initial traffic forecasts produced in April downwards, shifting the expected traffic scenario from the "coordinated measures scenario" (which for October had forecasts a decrease of 30% in traffic), towards the "uncoordinated approach scenario", which envisages a contraction of 57% in October.

Terminal traffic service units registered in Italy decreased by 58.8% in January - September 2020, impacted by the poor performance achieved at Rome Fiumicino airport. The Roman airport, in fact, closed the period in question with a decrease of 66.1%, while in the third quarter of 2020 alone it posted a contraction of 73.5%.

Total en-route traffic				Change
service units (**)	3rd Quarter 2020	3rd Quarter 2019	no.	%
France	6,908,898	16,971,118	(10,062,220)	-59.3%
Germany	5,445,626	11,593,723	(6,148,097)	-53.0%
Great Britain	4,082,975	9,612,776	(5,529,801)	-57.5%
Spain	3,581,341	8,824,308	(5,242,967)	-59.4%
Italy (***)	3,186,317	7,878,804	(4,692,487)	-59.6%
EUROCONTROL	51,316,352	118,399,380	(67,083,028)	-56.7%

(*) overflight traffic in Italian airspace, with or without layover.

(**) "service unit" is the unit of measurement used within Eurocontrol to determine the value of services rendered. It is a combination of two elements: the weight of the aircraft at departure and the distance travelled.

(***) excluding exempt traffic not reported to Eurocontrol.

En-route traffic

Total en-route traffic in Italy in January-September 2020 decreased by 59.6% in terms of service units reported by Eurocontrol (-59.5% if the residual category *Exempt not reported to Eurocontrol* is included) and a decline of 58.2% in the number of flights handled (-57.7% including the residual category *Exempt not reported to Eurocontrol*).

The decisive factor in this decline in air traffic was the COVID-19 pandemic, which had a major impact on the air transport sector. These exceptional conditions emerged in the early days of March in Italy and were followed by the spread of the health emergency to most other European countries, which are equally important in generating traffic flows in Italian airspace.

Until February 2020, total en-route traffic in Italy had displayed a certain dynamism, achieving gains of 9.8% in terms of service units (SUs) and 4.9% in the number of flights handled in the comparison between January-February 2020 and January-February 2019, thanks mainly to overflight traffic, which also benefitted from the consolidation of the Free Route project. Results for the second quarter of 2020 alone, which saw a contraction of 89.2% in terms of service units, and the third quarter alone, when the decrease came to 61.1%, demonstrate how traffic volumes in national airspace initially fell to almost zero during the peak months of the pandemic, before partially resuming with the easing of the health emergency during the summer, with a consequent moderate recovery in travel to Mediterranean tourist destinations, such as Spain, Greece, France, Malta and Tunisia, which have the greatest impact on the volume of overflights in national airspace.

En-route traffic (number of flights)	3rd Quarter 2020	3rd Quarter 2019	no.	Change %
Domestic	117,792	226,268	(108,476)	-47.9%
International	288,344	783,482	(495,138)	-63.2%
Overflight	220,842	539,297	(318,455)	-59.1%
Paying total	626,978	1,549,047	(922,069)	-59.5%
Military	23,964	24,020	(56)	-0.2%
Other exempt	12,397	12,730	(333)	-2.6%
Total exempt	36,361	36,750	(389)	-1.1%
Total reported by Eurocontrol	663,339	1,585,797	(922,458)	-58.2%
Exempt not reported to Eurocontrol	14,036	17,419	(3,383)	-19.4%
Total	677,375	1,603,216	(925,841)	-57.7%

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%

An analysis of the composition of en-route traffic shows:

- *international commercial traffic*, the category of flights departing or arriving at an airport in Italy, which in January-September 2020 recorded a steep decrease in air traffic, both in terms of service units (-65.1%) and the number of assisted flights (-63.2%), interrupting the steady growth of recent years, which came to a halt in February 2020 owing to the COVID-19 pandemic. In the third quarter of 2020 alone, traffic contracted sharply, both in terms of SUs (-66.0%) and flights handled (-62.3%), although this was an improvement on the second quarter of 2020 alone (-93.4% in terms of SUs).

With regard to international traffic by flight distance (short, medium and long-distance flights in national airspace), in the first nine months of 2020 all categories registered decreases in air traffic of more than 60% in terms of service units, both for connections between Italy and the rest of Europe, representing about 80% of total international traffic service units, and in connections between Italy and Asia and Italy and Africa, accounting for about 10% and 6% respectively of international traffic service units. A decrease of more than 75% in service units was recorded for connections between Italy and the American continent, which represented just 4% of total international service units;

- *commercial overflight traffic*, a category that includes flights that only cross through domestic airspace, posted a steep decrease in January-September 2020 in terms of service units (-59.8%) and number of flights handled (-59.1%), after registering an increase of 24% in terms of service units in the first two months of 2020 compared with the same period of 2019. This segment, too, was impacted by slowdown in air traffic due to the health emergency beginning in March and even more so in the second quarter of the year, which experienced a substantial decrease in both SUs (-87.8%) and number of flights (90.1%), while in the third quarter alone traffic contracted by 66.7% in terms of service units and 58.2% in terms of flights handled. In terms of traffic by flight distance, the routes registering the smallest declines in terms of service units were shorter-distance flights (<400 Km in national airspace), which contracted by 55%, while medium (between 400 and 800 Km) and longer-distance flights (>800 Km) experienced decreases of 62.0% and 58.0% respectively.

As regards the main traffic routes, intra-European flights, which represent about 48% of total overflight SUs, declined by 64.3% in terms of SUs. Performance was slightly better for connections between Europe and Africa (-55.3% in SUs) and Europe and Asia (-44.6% in SUs), which represent about 24% and 21%, respectively, of overflight service units in national airspace. Connections between Europe and the American continent experienced a contraction of 66.3% in traffic;

- *domestic commercial traffic* in the period under review posted a decrease in service units (-50.0%) and the number of assisted flights (-47.9%). In January-February 2020, this segment of traffic had recorded unchanged volumes (-0.3% SUs), while in the third quarter it performed better than the other traffic categories, with a reduction of 36.3% in SUs and 34.5% in the number of assisted flights. With regard to flight distance, long-distance flights (>700 km in domestic airspace) that connect the northern and southern parts of the country, which represent about 46% of total domestic service units, registered a contraction of 49% in terms of service units in the first nine months of 2020, improving on the contraction of 60.0% in service units during the first half of the year thanks to the results posted in August and September (-21.0% and -27.0%, respectively). Medium-distance flights, representing about 45% of total domestic service units and which mainly connect the Rome and Naples airports with destinations in the north and south of the country, experienced a similar contraction in traffic, equal to 50% in terms of service units, an improvement on the figure for the first half (-55% in SUs);
- *exempt traffic* is divided into: i) *exempt traffic reported by Eurocontrol*, which decreased by 6.3% in terms of service units and by 1.1% in terms of the number of assisted flights. The developments in this category mainly reflected a decline in military flights by non-European countries (-15.0% in SUs) and government flights (-34.1% in SUs), which represent about 90% of exempt traffic; and ii) *exempt traffic not reported to Eurocontrol*, which accounts for only a residual proportion of revenues, posted a decrease of 18.6% in service units and one of 19.4% in the number of assisted flights.

With regard to carriers, the importance of the low-cost segment was confirmed in the first nine months of 2020, accounting for four of the top six carriers by number of service units generated. Given the health emergency, all carriers recorded decreases in traffic, notably Ryanair (-52.5% in SUs), EasyJet (-63.3% in SUs), Wizz Air (-41.6% in SUs) and Volotea (-49.1% in SUs). In January and February, these companies had instead posted increases. Among other airlines, the Middle Eastern carriers such as Turkish Airlines (-56.2% in SUs), Emirates (-57.5% in SUs), Qatar Airways (-36.0% in SUs) and Saudia (-61.1% in SUs) also saw traffic contract during the period, while in the third quarter alone their presence in Italian airspace plunged by some 70-80% in terms of service units. Decreases were also registered in the period by Lufthansa (-65.9% in SUs), Air France (-51.5% in SUs) and British Airways (-46.6% in SUs). Alitalia also posted losses, closing the period with a decrease of 56.9% in service units and 58.4% in the number of assisted flights.

Terminal traffic

In January-September 2020, terminal traffic reported by Eurocontrol, which includes departing and arriving traffic within 20 km of the runway, contracted by an extent similar to that in en-route traffic, both in terms of service units (-58.8%) and the number of assisted flights (-56.8%). In the third quarter alone, terminal traffic declined by 56.9% in terms of service units and 51.8% in terms of assisted flights.

Terminal traffic (number of flights)		3rd Quarter 2020	3rd Quarter 2019	no.	Change %
Domestic					
	Chg. Zone 1	16,598	38,302	(21,704)	-56.7%
	Chg. Zone 2	25,102	49,527	(24,425)	-49.3%
	Chg. Zone 3	70,256	131,878	(61,622)	-46.7%
	Total domestic flights	111,956	219,707	(107,751)	-49.0%
International					
	Chg. Zone 1	25,437	80,903	(55,466)	-68.6%
	Chg. Zone 2	56,448	143,956	(87,508)	-60.8%
	Chg. Zone 3	60,591	164,563	(103,972)	-63.2%
	Total international flights	142,476	389,422	(246,946)	-63.4%
Paying total		254,432	609,129	(354,697)	-58.2%
Exempt					
	Chg. Zone 1	211	51	160	313.7%
	Chg. Zone 2	1,142	637	505	79.3%
	Chg. Zone 3	14,192	14,838	(646)	-4.4%
	Total exempt flights	15,545	15,526	19	0.1%
Total reported by Eurocontrol		269,977	624,655	(354,678)	-56.8%
Exempt not reported to Eurocontrol					
	Chg. Zone 1	0	2	(2)	-100.0%
	Chg. Zone 2	256	198	58	29.3%
	Chg. Zone 3	8,112	9,493	(1,381)	-14.5%
Total exempt flights not reported to Eurocontrol		8,368	9,693	(1,325)	-13.7%
Total by Chg. Zone					
	Chg. Zone 1	42,246	119,258	(77,012)	-64.6%
	Chg. Zone 2	82,948	194,318	(111,370)	-57.3%
	Chg. Zone 3	153,151	320,772	(167,621)	-52.3%
Total		278,345	634,348	(356,003)	-56.1%

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%

Overall, performance in January-September 2020 compared with the same period of the previous year shows a general decline in all three charging zones, both in terms of service units and the number of assisted flights, reflecting the health emergency, which also led to the closure of air traffic at many Italian airports in certain months of the year. More specifically:

- Charging Zone 1, represented by Rome Fiumicino airport, experienced a decrease in traffic in the period of 66.1% in terms of service units and 64.6% in the number of flights handled, with decreases in all components of air traffic, whether international (-70.4% in SUs) or domestic (-54.9% in SUs). The third quarter of 2020 alone registered a decrease of 73.5% in the number of service units, with international traffic contracting more (-79.4% in SUs) than domestic traffic (-55.7%);
- Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tesserà and Bergamo Orio al Serio, posted a decrease for the period in terms of service units (-56.7%) and in flights handled (-57.3%), affecting all airports in this charging zone, with drops of about 55% at Milan Malpensa, Bergamo Orio al Serio and Milan Linate and about 65% at Venice Tesserà. In the first two months of 2020, Charging Zone 2 had posted gains (+3.3% in SUs) thanks to the performance of Milan Malpensa and Bergamo Orio al Serio, while in the third quarter it saw traffic volumes contract (-56.2% in SUs and -54.6%

in flights handled), mainly reflecting developments in international traffic (-62.8%) rather than domestic traffic (-33.9% in SUs);

- Charging Zone 3 registered decreases both in terms of service units (-56.6%) and number of flights handled (-52.3%). In the first two months of the year, the charging zone had registered gains (+2.7% in SUs; +2.3% in flights) thanks to the good performance of the main airports in this zone. Nevertheless, at the end of the third quarter, decreases were reported by all airports: Catania, Rome Ciampino, Palermo, Cagliari and Bari posted contractions of more than 50% in terms of service units, while Naples, Bologna and Verona were hit by decreases of more than 60%. In the third quarter of the year, the zone experienced a contraction in service units (-49.3%) and in flights handled (-44.2%), mainly attributable to international traffic (-62.5% in SUs) rather than domestic traffic (-32.4%), meaning that the charging zone registered the smallest decline in traffic in the third quarter.

As for the various traffic components, as already noted for en-route traffic, the COVID-19 crisis generated contractions for both *international traffic* (-64.2% in SUs, -63.4% in flights) and *domestic traffic* (-49.5% in SUs, -49.0% in flights). By contrast, in January-February 2020 international traffic had registered an increase (+1.9% in SUs), while domestic traffic had posted a small decline (-2.8% in SUs) compared with the same period of the previous year.

Seasonal effects

The type of business in which the Parent Company operates is affected by seasonal effects. Developments in air traffic are not linear throughout the year. In particular, passenger traffic fluctuates significantly depending on the time of year, reflecting changes in tourist flows.

Specifically, en-route and terminal revenues tend to peak in the summer months. As a result the interim performance of the Group does not contribute uniformly to performance and financial position for the year as a whole.

COVID-19 update

This year has been a very challenging one for air transport in view of the impact on air traffic of the COVID-19 pandemic, which has had major repercussions on the world economies and the air traffic sector in particular.

Since the beginning of the health emergency, Italy has adopted extraordinary measures to contain the contagion, although at the same time these substantially halted industrial and commercial activity, with a significant impact on all performance and financial indicators. For en route traffic, the results achieved in the first three quarters of the year showed a steep contraction in air traffic. After a first quarter that closed with

a decrease of 12.3% in terms of service units (SUs), although the contraction was limited by the growth recorded in the first two months of the year, the second quarter of 2020 showed the full effects of the pandemic, closing with a decrease of 89.2% in SUs. In the third quarter, the slowdown in the spread of the virus observed during the summer months and the reopening of all national airports mitigated the adverse effects registered previously, with en route traffic falling by 61.1% in terms of service units. Overall, the figures for en-route traffic recorded in the first nine months of the year show a decline of 59.6% compared with the same period in 2019.

The gradual rise in the number of COVID cases is ushering in a second wave of the pandemic, which is beginning to impact developments in air traffic. The resumption of the spread of the virus is again affecting countries' policies for managing their borders and the propensity to travel of passengers, reducing the number of reservations looking forward.

In view of the uncertainty of the traffic scenario in the coming months, the forecast for traffic volumes in the various European countries that Eurocontrol plans to publish in November will have an important role in delineating the outlook for 2021.

In this context, the European Commission has also intervened with a proposal to amend the regulation on the performance and charging scheme for 2020-2021 (Regulation (EU) no. 2019/317), with the introduction of a series of extraordinary measures aimed at supporting the air transport sector, which has been negatively affected by the effects of the spread of COVID-19.

Among the various changes, the most important concern the modification to the traffic risk-sharing mechanism, the assignment of new cost-efficiency targets for 2020 and 2021, as well as the introduction of an obligation to spread the costs borne by airlines in relation to the loss of traffic over a minimum of five years. Other changes include the introduction of a series of new deadlines for the definition by the member countries and service providers of the initial cost and traffic estimates for the period 2020-2024, the publication of the targets by the Commission and the submission of new performance plans.

In September 2020, at an ad hoc meeting of the Single Sky Committee, the draft of the new regulation was submitted to the scrutiny of the representatives of the member countries in order to prepare the ground for voting on the text and its entry into force. Following a detailed examination, the representatives of the member countries decided not to approve the text proposed by the Commission, asking the latter to modify certain specific parts of the draft regulation, with particular regard to the level of costs expected for the 2020-2021 period and the calculation of charges for 2022.

In particular, the countries proposed that, in the evaluation phase and subsequent assignment of the cost-efficiency targets for the third reference period, the Commission must take into careful consideration the final costs recognised by the service providers. At the same time, the member countries also proposed that

charges for 2022 be determined on the basis of the most recent cost and traffic planning, which will be part of the new performance plans that the countries will submit in October 2021.

The discussions between the European Commission and the member countries then continued within the Appeal Committee, a body chaired by the Commission and composed of national delegates that ranks above the Single Sky Committee. On the basis of consultations within the Appeal Committee, a consensus text of the regulation on the performance and charging scheme was approved on 12 October 2020 and published on 4 November 2020.

As for the next steps, the text of the regulation provides for Eurocontrol to publish traffic estimates in terms of service units and assisted flights for each individual country by next November, and in fact the data were published on 4 November 2020. The air navigation service providers, through the national supervisory authorities, will therefore have to submit their initial forecasts for costs and charges for the 2020-2024 period by 15 December 2020.

In this context, the Group companies, and in particular the Parent Company, are implementing a series of management measures and actions in order to mitigate the impact of the crisis on operations over the coming months. In this regard, a series of initiatives are already under way to lower costs not directly related to maintaining air traffic capacity and safety and reduce the variable and ancillary components of personnel costs, an effort that is reflected in the outturn for the third quarter of 2020.

In addition, the extension on the collection of en-route and terminal charges granted by Eurocontrol to airlines with a concomitant improvement in cash flows, which are showing signs of recovery, will terminate in the last quarter of 2020. Accordingly, in November charges for February will be collected in addition to the regular collection of charges for September flights.

Performance and financial position of the ENAV Group

Definition of alternative performance measures

In addition to the financial data required by the International Financial Reporting Standards and in line with Consob notice no. 0092543 of 3 December 2015, which incorporates the Guidelines (no. 2015/1415) issued on 5 October 2015 by the European Securities and Markets Authority (ESMA), the ENAV Group uses a number of measures derived from the IFRS data to provide management with an additional metric for evaluating the performance achieved by the Parent Company and its subsidiaries, as well as ensuring greater comparability, reliability and understanding of financial information.

The following alternative performance measures are used:

- **EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation):** an indicator of profit before the effects of financial operations and taxation, as well as depreciation, amortisation and writedowns of property, plant and equipment and intangible assets and receivables and provisions, adjusted for investment grants directly related to the depreciating and amortising investments to which they refer;
- **EBITDA margin:** EBITDA expressed as a percentage of total revenues and adjusted for investment grants as specified above;
- **EBIT (Earnings Before Interest and Tax):** EBITDA less depreciation and amortisation adjusted for investment grants and writedowns of property, plant and equipment and intangible fixed assets and receivables and provisions;
- **EBIT margin:** EBIT expressed as a percentage of total revenues less investment grants as specified above;
- **Net non-current assets:** a financial measure represented by the fixed capital employed in operations. It includes property, plant and equipment, intangible assets, investments in other entities, non-current trade receivables and payables, and other non-current assets and liabilities;
- **Net working capital:** capital employed in operations comprising 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 capital employed:** the sum of net non-current assets and net working capital;
- **Net capital employed:** the sum of gross capital employed, less employee benefit provisions, the provision for risks and charges and deferred tax assets/liabilities;
- **Net financial debt:** the sum of the current and non-current financial liabilities, current and non-current financial receivables net of non-current financial liabilities in respect of the fair value of derivative financial instruments and cash and cash equivalents;
- **Free cash flow:** the sum of the cash flow generated or absorbed by operating activities and the cash flow generated or absorbed by investing activities.

The reclassified consolidated income statement, statement of financial position and cash flow statement, the consolidated statement of net financial debt and the main performance and financial indicators used by management to monitor operating performance are shown below.

Reclassified consolidated income statement

The overall results of the ENAV Group in the third quarter of 2020 were affected by the COVID-19 crisis, which caused a strong contraction in the activities of the air transport sector, with the latter only partially recovering in the summer period, generating a reduction in service units of 59.6% for en-route traffic and 58.8% for terminal traffic compared with the third quarter of 2019. This performance largely confirmed the trend registered in the first half of 2020. With regard to turnover from core business, these reductions produced a decrease of €467.7 million in revenues, of which €354.4 million in en-route revenues and €113.3 million in terminal revenues. This was only partially offset by the recognition of the balance for the period, which saw the implementation of the new charging scheme issued by the European Commission for the 2020-2021 period, producing a smaller balance for the loss of traffic recorded in the third quarter of 2020. The measures adopted in recent months in response to the health emergency have made it possible to lower operating costs by €41.1 million, enabling the Group to close the third quarter of 2020 with a profit attributable to shareholders of the Parent Company of €55.3 million, down 44.1% compared with the third quarter of 2019.

	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%

(thousands of euros)

Analysis of revenues

Revenues from operations amounted to €276 million, a decrease of 62.6% compared with the same period of the previous year, of which revenues from the Parent Company's core business in the amount of €259.7 million (-64.4% on the third quarter of 2019) and revenues from the Group's operations on the non-regulated market of €16.3 million (+€7.3 million on the third quarter of 2019), mainly reflecting revenues generated by the subsidiary IDS AirNav, which contributed for the entire period compared with the corresponding period of 2019, when the contribution was limited to three months as the company was included in the scope of consolidation in July 2019.

	3rd Quarter 2020	3rd Quarter 2019	Change	%
En-route revenues	186,635	541,069	(354,434)	-65.5%
Terminal revenues	65,379	178,638	(113,259)	-63.4%
En-route and terminal exemptions	7,643	9,050	(1,407)	-15.5%
Revenues from non-regulated market	16,374	9,061	7,313	80.7%
Total revenues from operations	276,031	737,818	(461,787)	-62.6%
Balance	286,666	(75,915)	362,581	n.a.
Total revenues from contracts with customers	562,697	661,903	(99,206)	-15.0%

(thousands of euros)

En-route revenues amounted to €186.6 million, a decrease of 65.5% compared with the year-earlier period, reflecting a decrease in service units generated until the third quarter of 2020 as a result of the COVID-19 emergency, which led to the closure of most routes both within and outside the European Union, followed by a slight increase in air traffic in the third quarter, putting the contraction at the end of the period at 60.2% (compared with an increase of 7.7% in the third quarter of 2019 on the third quarter of 2018). This was compounded by a reduction in the en-route charge of 15.3% applied in 2020 (€66.02, as against €77.96 in 2019), a reduction that amounted to 7.4% if only the charge excluding balances is considered.

If en-route revenues include those from exempt flights, which contracted by 64.9% on the third quarter of 2019, and the adjustment for balances, which includes the portion recognised in the period and the part recognised in previous years and incorporated in charges in 2020, and thus profit or loss for the same year, en-route revenues totalled €405 million, a decrease of €81.6 million, broken down as follows:

	3rd Quarter 2020	3rd Quarter 2019	Change	%
En-route revenues	186,635	541,069	(354,434)	-65.5%
En-route exemptions	5,845	7,225	(1,380)	-19.1%
<i>Sub-total revenues</i>	<i>192,480</i>	<i>548,294</i>	<i>(355,814)</i>	<i>-64.9%</i>
En-route balance for period	225,831	(20,356)	246,187	n.a.
Discounting of balance for period	(13,786)	336	(14,122)	n.a.
Use of en-route balance n-2	493	(41,652)	42,145	n.a.
<i>Sub-total balance</i>	<i>212,538</i>	<i>(61,672)</i>	<i>274,210</i>	<i>n.a.</i>
Total en-route revenues from operations net of balances	405,018	486,622	(81,604)	-16.8%

(thousands of euros)

The en-route balance had a positive impact of €212.5 million, an improvement of €274.2 million compared with the third quarter of 2019, mainly due to the recognition of the balance, which in compliance with the new regulation published by the European Commission allows the partial recovery of the reduction in revenues generated by the COVID-19 pandemic. These balances were discounted over a period of time consistent with the Commission regulation, which provides for recovery in the charges over five years starting from 2023, generating a negative impact on profit or loss of €13.8 million.

Commercial *terminal revenues* amounted to €65.4 million, a decrease of 63.4% on the same period of 2019, reflecting the decline in service units generated by the individual airports broken down by charging zone, again as a result of the COVID-19 pandemic, with an overall decrease of 59.4% (+4.6% in the third quarter of 2019 compared with third quarter of 2018), and the reduction in the terminal charges applied in all three charging zones.

In particular, *Charging Zone 1*, represented by Rome Fiumicino airport, posted a decrease in assisted air traffic, expressed in service units, of 66.1% compared with the third quarter of 2019 (+3.1% in the third quarter of 2019 compared with third quarter of 2018), with a decrease of 73.5% in service units in the third quarter alone compared with the year-earlier period. This factor was compounded by a decrease of 12.25% in the terminal charge applied in 2020, which amounted to €167.33 compared with €190.69 in 2019.

Charging Zone 2, represented by the airports of Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio, posted a decrease in assisted air traffic, expressed in service units, of 56.7%, on the third quarter of 2019 (+4.9% in the third quarter of 2019 compared with third quarter of 2018), reflecting the positive effect of developments in air traffic in the first two months of 2020 (+3.3%) and the plunge in traffic registered from March onwards as a result of the COVID-19 emergency and the consequent temporary closures of the Milan Linate and Bergamo Orio al Serio airports. The terminal charge for 2020 is €167.56, a decrease of 15.19% on the rate applied in 2019 (€197.56).

Charging Zone 3, which comprises 40 medium- and low-traffic airports recorded a decrease in assisted air traffic, expressed in service units, of 56.6% on the third quarter of 2019 (+5.1% in the third quarter of 2019 compared with third quarter of 2018), with an increase in the first two months of 2020 (+2.8%) followed by a steep fall in subsequent months due to the health emergency and the closure of various airports. The terminal charge in 2020 is €298.93, down 6.3% on the charge applied in 2019 (€318.98).

If terminal revenues are considered together with those from exempt flights, which contracted by 62.8% on the same period of 2019, mainly as a result of the reduction in terminal charges and the adjustment for the balance, which includes the portion recognised in the period and the part recognised in previous years and incorporated in the charge in 2020, and thus profit or loss for the same year, terminal revenues totalled €141.3 million, a decrease of €24.9 million on the third quarter of 2019, broken down as follows:

	3rd Quarter 2020	3rd Quarter 2019	Change	%
Terminal revenues	65,379	178,638	(113,259)	-63.4%
Terminal exemptions	1,798	1,825	(27)	-1.5%
<i>Sub-total</i>	<i>67,177</i>	<i>180,463</i>	<i>(113,286)</i>	<i>-62.8%</i>
Terminal balance for period	72,839	(11,856)	84,695	n.a.
Discounting of balance for period	(4,356)	196	(4,552)	n.a.
Use of terminal balance n-2	5,645	(2,583)	8,228	n.a.
<i>Sub-total</i>	<i>74,128</i>	<i>(14,243)</i>	<i>88,371</i>	<i>n.a.</i>
Total terminal revenues from operations net of balances	141,305	166,220	(24,915)	-15.0%

(thousands of euros)

Terminal balances amounted to a positive €74.1 million, an increase of €88.4 million on the first nine months of 2019. These balances, recognised in accordance with the rules for en-route charges, enable the partial recovery of the decrease in revenues for the first nine months of 2020. They include €14.6 million in respect of Charging Zone 1, €16.3 million in respect of Charging Zone 2 and €41.9 million in respect of Charging Zone 3. The balances were discounted, as noted earlier, generating a negative impact on profit or loss of €4.4 million.

Revenues from the non-regulated market amounted to €16.4 million, an increase of €7.3 million on the same period of 2019, mainly reflecting €9.3 million in revenues generated by the subsidiary IDS AirNav. These revenues were mainly generated by services and maintenance of products sold to customers around the world, mainly outside Europe, including progress on the installation of the Aeronautical Information Management (AIM) system with the Swedish customer, work on the project for the new Ndola airport in Zambia, the project with CISCEA, the Brazilian service provider, for licences for the mapping tool, and the maintenance of AIM systems for various customers. The remainder of revenues from the non-regulated market mainly regard radio-aid control services and aeronautical consulting activities in Italy and abroad and the revenues of the subsidiary D-Flight for services supplied to operators of unmanned aerial vehicles (UAV) for annual subscriptions and the electronic registration of drones.

Developments in costs

	3rd Quarter 2020	3rd Quarter 2019	Amount	Change %
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 expenses	(413,365)	(454,465)	41,100	-9.0%

(thousands of euros)

Operating expenses decreased by 9% compared with the year-earlier period to a total of €413.4 million, reflecting a decline both in personnel costs of 8.5% and in other operating expenses of 10%, with capitalised costs falling by 4.1%, mainly reflecting the rescheduling of investment projects by the subsidiary Techno Sky.

	3rd Quarter 2020	3rd Quarter 2019	Change	%
Wages and salaries, of which:				
fixed remuneration	213,778	209,451	4,327	2.1%
variable remuneration	26,658	56,125	(29,467)	-52.5%
Total wages and salaries	240,436	265,576	(25,140)	-9.5%
Social security contributions	80,191	87,490	(7,299)	-8.3%
Employee severance pay	16,886	16,885	1	0.0%
Other costs	5,378	4,852	526	10.8%
Total personnel costs	342,891	374,803	(31,912)	-8.5%

(thousands of euros)

Personnel costs amounted to €342.9 million, a decrease of 8.5% on the same period of 2019, with much of the decline coming in variable remuneration. More specifically, fixed remuneration increased by €4.3 million compared, of which €3.1 million attributable to the subsidiary IDS AirNav, which as of the third quarter of 2019 had only had an impact of about three months, and the remainder to the effects of the contract renewal at the Parent Company in March and December 2019, the increase in leave under Law 104/92 as provided for in Decree Law 18/2020 (the “Cure Italy Decree”) and the increase in the share of costs for parental leave borne by INPS, which will be recovered in the following month through a decrease in payments of social security contributions. The Group workforce at the end of the third quarter of 2020 numbered 4,185, down 45 in effective terms on the third quarter of 2019, and 4,214 on average, a decrease of 8 compared with the corresponding period of the previous year. Variable remuneration decreased by 52.5% compared with the corresponding period of the previous year, due to the actions taken in response to the health emergency, with, on the one hand, a decrease in overtime for air traffic controllers, which was directly connected with the decline in air traffic, and in overtime for non-operational staff as a result of the use of flexible working arrangements and, on the other, greater use of holiday entitlement compared with the same period of 2019, as the backlog of unused holiday time from previous years was almost entirely eliminated and the entitlement accruing in 2020 was largely used in the first nine months. Social security contributions decreased by 8.3% to €80.2 million and other personnel costs rose by 10.8%, mainly reflecting an increase in termination incentives granted to outgoing personnel in the period and an increase in premiums on insurance policies for employees.

Other operating expenses amounted to €90.4 million, down 10% on the same period of 2019, breaking down as shown in the following table.

	3rd Quarter 2020	3rd Quarter 2019	Change	%
Costs for the purchase of goods	5,004	6,357	(1,353)	-21.3%
Costs for services:				
Maintenance costs	14,125	13,734	391	2.8%
Costs for Eurocontrol fees	25,202	28,586	(3,384)	-11.8%
Costs for utilities and telecommunications	18,296	23,193	(4,897)	-21.1%
Costs for insurance	2,368	1,962	406	20.7%
Cleaning and security	3,842	3,472	370	10.7%
Other personnel-related costs	4,819	7,190	(2,371)	-33.0%
Professional services	7,406	6,804	602	8.8%
Other costs for services	5,400	5,494	(94)	-1.7%
Total costs for services	81,458	90,435	(8,977)	-9.9%
Costs for leases and rentals	1,533	1,538	(5)	-0.3%
Other operating expenses	2,458	2,174	284	13.1%
Total	90,453	100,504	(10,051)	-10.0%

(thousands of euros)

An analysis of the individual items reveals a general decline in costs, including: 1) costs for the purchase of goods, which decreased by 21.3%, the net effect of a reduction in purchases of materials for the restructuring and modernisation of airports domestically and abroad as a result of the postponement of certain activities as a result of the COVID-19 pandemic and an increase in costs incurred for the purchase of personal protective equipment connected with the pandemic; (ii) a reduction of 11.8% in costs for Eurocontrol fees, reflecting the cost containment measures adopted by the agency; (iii) costs for utilities telecommunications, which declined by 21.1%, reflecting both a reduction in costs for data connections of the ENET1 network as a result of the decommissioning of older circuits and the lower costs associated with the new contract and in costs for electricity across the entire country; (iv) a reduction of 33% in other personnel costs owing to the substantial contraction in travel costs as a result of the COVID-19 emergency. These reductions were partially offset by higher costs for professional services connected with foreign orders, primarily connected with the subsidiary IDS AirNav, and the costs for cleaning associated with extraordinary sanitation efforts at all sites since the beginning of the coronavirus emergency and for donations to the Lazzaro Spallanzani National Institute for Infectious Diseases and the Civil Protection Department in the fight against COVID-19.

Margins

These developments gave rise to a decrease of 25.8% in EBITDA compared with the third quarter of 2019, to €175.7 million.

Depreciation and amortisation net of investment grants increased by 0.2% as a result of a decline in investment grants recognised during the period, while depreciation and amortisation were generally unchanged on the third quarter of 2019. Writedowns of receivables and provisions for risks had a total

negative impact of €3.3 million, mainly reflecting the update of the valuation model used to assess the recoverability of receivables, which was revised as a result of the COVID-19 pandemic. After these operations, EBIT amounted to €77.4 million, a decrease of 45.7% on the same period of the previous year.

Financial operations

Financial income and expense show net expense of €4.4 million, up 39.1% on the figure for the third quarter of 2019.

	3rd Quarter 2020	3rd Quarter 2019	Change	%
Income from investments in other entities	417	417	0	0%
Financial income from discounting of non-current receivables	68	172	(104)	-60%
Financial income from current/non-current financial assets	131	130	1	1%
Interest income on VAT receivable due for reimbursement	0	152	(152)	-100%
Other interest income	713	739	(26)	-4%
Total financial income	1,329	1,610	(281)	-17.5%
	3rd Quarter 2020	3rd Quarter 2019	Change	%
Interest expense on bank loans	1,769	1,811	(42)	-2.3%
Interest expense on bonds	2,598	2,589	9	0.3%
Interest expense on employee benefits	327	393	(66)	-16.8%
Interest expense on right-of-use assets	112	133	(21)	-15.8%
Financial expense on derivative measured at fair value	0	10	(10)	-100.0%
Financial expense on discounting of receivables and balances	513	50	463	n.a.
Other interest expense	66	5	61	n.a.
Total financial expense	5,385	4,991	394	7.9%
Exchange rate gains/(losses)	(316)	237	(553)	n.a.
Total financial income/(expense)	(4,372)	(3,144)	(1,228)	39.1%

(thousands of euros)

The decrease of 17.5% in *financial income* is mainly due to the reduction in the impact of the discounting of receivables and the absence of interest income on the VAT credit for which reimbursement has been requested, which was collected in the second half of 2019.

Financial expense increased by 7.9%, mainly due to an increase in expense connected with the discounting of balances.

Performance for the period

Income taxes for the period were a negative €17.9 million, down 55.7% on the third quarter of 2019, reflecting both a decrease in taxable income and deferred taxation as a result of the discounting of receivables for balances recognized in the third quarter of 2020.

The net profit attributable to the shareholders of the Parent Company amounted to €55.3 million, a decrease of 44.1% on the third quarter of 2019, reflecting the impact of the COVID-19 pandemic. The loss attributable to non-controlling interests amounted to €0.2 million, an increase on the same period of 2019.

Reclassified consolidated statement of financial position

	30.09.2020	31.12.2019	Amount	Change %
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%

(thousands of euros)

Net capital employed amounted to €1,324.4 million at 30 September 2020, up €294.7 million on 31 December 2019, of which 82.8% was funded by consolidated shareholders' equity and 17.2% by net financial debt.

Net non-current assets

Net non-current assets amounted to €1,309.4 million, an increase of €253.6 million on 31 December 2019, mainly reflecting: i) an increase of €311.4 million in non-current trade receivables and payables due to the recognition of the receivables and payable for balances that emerged in the third quarter of 2020. Net of interest, they amounted to a positive €280.5 million and will be recovered as from 2023. The change reflected

the reduction in payables for balances reclassified under current liabilities as they will be included in charges and thus in profit or loss in 2021; ii) a net increase of €1.6 million in intangible assets, mainly due to the acquisition by IDS AirNav of two software applications for the subsidiary's business in the total amount of €1.9 million, defined in the Foreign Term Sheet signed with IDS SpA in July 2019 regarding the possible acquisition of the air navigation assets of certain foreign subsidiaries of IDS SpA. At 30 September 2020, the transaction was completed, providing for - in addition to the acquisition of the two software applications - the transfer of the IDS North America agreements to the subsidiary IDS AirNav; ii) a reduction of €1.8 million in the value of equity investments in other entities linked exclusively to the impact in the change in the dollar/euro exchange rate on the value of the investment in Aireon; and iii) a reduction of €54.6 million in property, plant and equipment as a result of the recognition of greater depreciation than investments under construction during the period.

Net working capital

Net working capital amounted to a positive €55.1 million, an increase of €34.3 million on 31 December 2019. The main changes included: i) a net increase of €33.8 million in trade receivables, of which €26.4 million in respect of the receivable from Eurocontrol as a result of the payment deferral granted to airlines for the months between February and May 2020, which will be collected as from November 2020 and every three months thereafter; an increase of €22.5 million in the receivable due from the Ministry of Infrastructure and Transport for the grant to guarantee the safety of plant and operational safety accruing at 30 September 2020, for which the 2019 instalment had not yet been collected; and a decrease of about €10 million in receivables for balances owing to the reversal to profit or loss of the share pertaining to the third quarter of 2020 and incorporated in charges for the same period; ii) a decrease of €1 million in trade payables, the net effect of a decrease in payables accruing in the period and an increase in payables for balances as a result of the reclassification of the non-current payable for balances; iii) the change in other current assets and liabilities, which resulted in a net increase in liabilities of €1.2 million as a result of a decline of €8 million in tax receivables due to the collection of the VAT receivable for which reimbursement had been requested; an increase of €9.4 million in prepaid expenses attributable to insurance premiums paid in July but pertaining to the following quarter and to the 14th-month salary instalments paid in June but pertaining to the following months; and an increase in tax liabilities connected with the recognition of current taxes for the third quarter of 2020 and a reduction in payables due to personnel as a result of the decrease in the liability for holiday entitlement accrued but not used by personnel during the period.

Net capital employed

In determining *net capital employed*, the employee benefit provisions had a negative impact of €50.3 million, with a decrease in the period of €2.2 million, mainly reflecting severance payments to employees and the actuarial loss recognised as at 30 September 2020. Provisions for risks and charges amounted to €2 million, an increase of €0.3 million due to prudential allocations in the period, and net deferred tax assets amounted to a positive €12.3 million, reflecting the increase in deferred tax assets recognised as a result of the discounting of balances.

Shareholders' equity

Shareholders' equity totalled €1,096.2 million, a net decrease of €59.9 million on 31 December 2019. The change mainly reflects the payment of €113.2 million in dividends and the negative impact of €2.5 million from the reserve for the translation into euros of the financial statements of foreign subsidiaries. These factors were partially offset by the recognition of consolidated net profit for the period in the amount of €55.1 million.

Net financial debt

Net financial debt was €228.2 million, a swing of €354.6 million on 31 December 2019, when the item was a positive €126.4 million.

	30.09.2020	31.12.2019	Amount	Change %
Cash and cash equivalents	156,080	449,268	(293,188)	-65.3%
Current financial receivables	25,044	24,977	67	0.3%
Current financial debt	(14,799)	(15,058)	259	-1.7%
Current financial debt for IFRS 16 lease liabilities	(2,212)	(2,112)	(100)	4.7%
Net current financial position	164,113	457,075	(292,962)	-64.1%
Non-current financial receivables	58	85	(27)	-31.8%
Non-current financial debt	(386,896)	(323,713)	(63,183)	19.5%
Non-current financial debt for IFRS 16 lease liabilities	(5,520)	(7,071)	1,551	-22%
Non-current financial debt	(392,358)	(330,699)	(61,659)	18.6%
Net financial debt	(228,245)	126,376	(354,621)	n.a.

(thousands of euros)

The deterioration of €354.6 million in the net financial debt reflected developments in collections and payments connected with ordinary operations, which generated a negative cash flow, due mainly to the reduction in receipts from the Parent Company's core business as a result of the contraction in air traffic control operations and the deferral granted to airlines of the collection of receivable for flights in the months from February to May 2020, which will be settled with payments beginning as from November this year and every three months thereafter. Other factors included the payment of dividends in the amount of €113.2

million and the payment to the Italian Air Force of collected terminal receivables pertaining to that institution in the amount of €10.8 million, partly offset by the collection of €8 million in respect of the VAT receivable and projects financed at the European level and the Infrastructure and Transport NOP.

Note that the Group has unused credit lines at 30 September 2020 worth €297.5 million. A long-term line of credit of €70 million was drawn down in August 2020.

Finally, in October two ESG (Environmental, Social, Governance) Sustainability Linked Term Loans were agreed in the total amount of €150 million in the form of two bilateral contracts with a term of three years that will be used to optimize cash flows in the coming years.

Structure of the consolidated net financial position

<i>(thousands of euros)</i>	30.09.2020	31.12.2019
(A) Cash	156,080	449,268
(B) Cash equivalents	0	0
(C) Securities held for trading	0	0
(D) Liquidity (A)+(B)+(C)	156,080	449,268
(E) Current financial receivables	25,043	24,967
(F) Current financial payables	0	0
(G) Current portion of non-current financial debt	(14,799)	(15,058)
(H) Other current financial debt	(2,212)	(2,112)
(I) Current financial debt (F)+(G)+(H)	(17,011)	(17,170)
(J) Net current financial debt/Liquidity (D)+(E)+(I)	164,112	457,065
(K) Non-current bank debt	(206,896)	(143,713)
(L) Bonds issued	(180,000)	(180,000)
(M) Other non-current financial debt	(5,520)	(7,071)
(N) Non-current financial debt (K)+(L)+(M)	(392,416)	(330,784)
(O) Net financial position - Consob (J)+(N)	(228,304)	126,281
(P) Current and non-current derivatives	59	95
(Q) Non-current financial receivables	0	0
(R) Net financial position - ENAV Group (O)+(P)+(Q)	(228,245)	126,376

Consolidated statement of cash flows

	3rd Quarter 2020	3rd Quarter 2019	Change
Cash flow generated/(absorbed) by operating activities	(195,494)	252,704	(448,198)
Cash flow generated/(absorbed) by investing activities	(45,909)	(84,764)	38,855
Cash flow generated/(absorbed) by financing activities	(51,658)	(109,285)	57,627
Cash flow for the period	(293,061)	58,655	(351,716)
Cash and cash equivalents at the beginning of the period	450,657	317,716	132,941
Exchange rate difference on cash	(132)	164	(296)
Cash and cash equivalents at end of the period	157,464	376,535	(219,071)
Free cash flow	(241,403)	167,940	(409,343)

(thousands of euros)

Cash flows from operating activities

Cash flows from operating activities absorbed liquidity in the amount of €195.5 million in the third quarter of 2020, a negative change of €448.2 million compared with the corresponding period of the previous year. This flow, which fully reflected the impact of the COVID-19 health emergency, was generated by the following factors: i) an increase in non-current trade receivables due to the recognition of balances for the period and in current trade receivables, mainly accrued in respect of Eurocontrol as a result of the payment deferral granted to airlines for flights in the period from February to May 2020, generating an overall change of €319.1 million. In the third quarter of 2019, the change amounted to €30.2 million and regarded an increase in the receivable due from airlines as a result of the increase in air traffic handled in the summer; ii) a decrease of €8 million in tax receivables following the collection of the VAT receivable for which reimbursement had been requested and a smaller increase in tax payables accruing for the period than in the same period of 2019, when the fiscal burden was greater; iii) a decrease of €3.8 million in current liabilities, mainly due to a reduction in en-route and terminal collections at 30 September 2020 pertaining to the Italian Air Force and ENAC compared with the year-earlier period, which had registered an increase of €48.2 million; and iv) a decrease of €30 million in current and non-current trade payables, due both to a decline in payables for balances in the period compared with a year earlier, when an increase of €14.1 million was registered, and a reduction in payables to suppliers for operational activities, which reflected both a decrease in costs and a reduction in payments made in the third quarter of 2020; and v) a decrease of €43.7 million in net profit for the period compared with the third quarter of 2019.

Cash flows from investing activities

Cash flows from investing activities at 30 September 2020 absorbed liquidity in the amount of €45.9 million, a decrease of 38.8 million on the figure recorded in the corresponding period of the previous year, which included the cash effects of the acquisition of IDS AirNav. That transaction was completed in July 2019 for a total price of €41.1 million, with payment of €3.7 million deferred in compliance with the obligations assumed between the parties. Payments of €1.3 million were made in the period under review. Capital expenditure in the third quarter of 2020 amounted to €47.4 million, down €6.5 million compared with the third quarter of 2019, reflecting the slowdown of certain activities in response to the health emergency and the consequent rescheduling of the investment plan.

Cash flows from financing activities

Cash flows from financing activities in the third quarter of 2020 absorbed liquidity in the total amount of €51.7 million, a reduction of €57.6 million compared with the figure for the corresponding period of the previous year. This decrease in liquidity absorbed is mainly connected with the use in August of the third tranche of a 16-year loan agreed with the EIB in the amount of €70 million. In addition to the repayment of the semi-annual instalment on loans, liquidity absorbed also includes the payment of dividends in the amount of €113.2 million, an increase of €5.2 million in disbursements compared with the third quarter of 2019.

Free cash flow was a negative €241.4 million, compared with a positive €167.9 million in the same period of 2019, reflecting the use of cash for operating and investment activities.

Declaration of the manager responsible for financial reporting on the financial statements pursuant to Article 154-bis, paragraph 2, of Legislative Decree 58/1998

The manager responsible for the preparation of ENAV's financial reports, Luca Colman, hereby declares, pursuant to Article 154-bis, paragraph 2, of Legislative Decree 58/1998 (Consolidated Law on Financial Intermediation), that the accounting information contained in the Interim Financial Report at 30 September 2020 corresponds with that contained in the accounting documentation, books and records.

Rome, 12 November 2020

[signed] Luca Colman

Legal information and contacts

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Legal information

Share capital: €541,744,385.00 fully paid-up

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