Q1 2020 Financial Results

May 14, 2020

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Q1 2020 Highlights

- **Severe impact of Covid-19 emergency on aviation sector**, visible starting March 2020, with **Q1 en-route traffic down 12.3% YoY** and a **negative trend continuing into Q2**
- **Ensuring business continuity while protecting our employees**
- **Supporting national emergency efforts** with all **ACCs and towers operational,** providing ATC services to cargo, medical supply and repatriation flights, as well as with **donations from the company to hospitals and "Protezione Civile"; 50% of Management MBOs** (Short term incentive) for 2020 **to be donated to scientific research against Covid-19**
- **Q1 Net Revenue decreases by 3.8% YoY to €171.6m**, with traffic revenue decline largely offset by positive balance
- **EBITDA down 6.7% YoY to €28.9m**, with cost efficiency measures offsetting most of the decline in revenue - Q1 seasonally weakest quarter in the year, further impacted by Covid-19
- **Net Loss of €6.2m** compared to Net Loss of €3.6m recorded in previous year, also due to higher taxable income of subsidiaries in Q1 2020
- Capex of €13.3m in Q1 2020
- **Strong liquidity profile** and solid balance sheet provide resilience over 2020
- **Proposed Dividend per share of €0.2094** for 2019 financial year confirmed (+4.8% over previous year)[1]

1. DPS calculated on total outstanding net of 1.2 million treasury shares

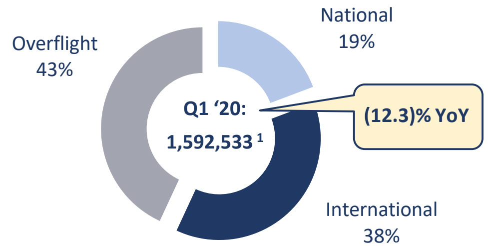
Q1 2020 Main Traffic Trends

Material impact from Covid-19, with **strong traffic growth in January and February more than offset by a significant decline in traffic in March**

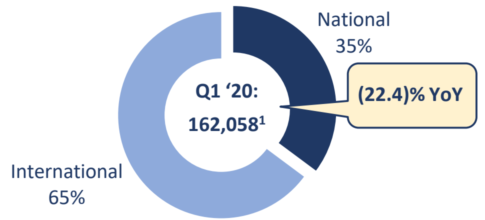
- **En-route service units down 12.3%[1] YoY** as a combined result of:
    - Low single-digit growth in Overflight traffic, with service units up 3.2% YoY, mainly as a result of double-digit growth in January and February
    - Sharp decline in International and National traffic, with service units down 21% and 22.4% YoY, respectively
- **Decrease in traffic in Italy in Q1 2020** is **in line with** the performance of the other **major countries in Europe**; namely, UK suffering the least (-10.8% YoY) and France suffering the most (-14.8% YoY)
- **Terminal traffic service units down 22.4%[1] YoY** due to:
    - Decrease in both International and National traffic, down 22.1% and 23.7% YoY, respectively
    - Decline in traffic in all three charging zones, with TZ1 being the most impacted

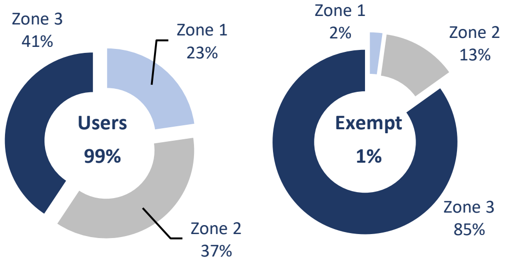
The business mix of the Italian market, with overflights representing more than 40% of en-route traffic, has ensured a partial mitigation of the Covid-19 emergency impacts until mid March

En-route (traffic breakdown by service units)



Terminal (traffic breakdown by service units)

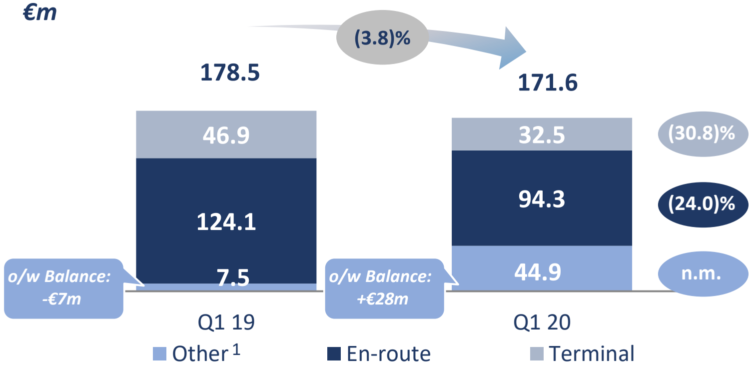




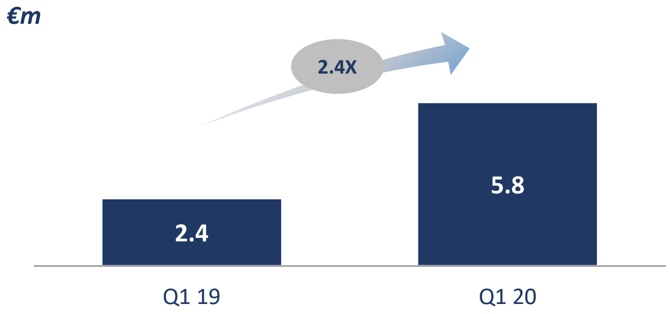
1. Excluding exempt flights not communicated to Eurocontrol (for Q1 en-route 256 SUs, terminal 150 SUs)

Net Revenue Performance

Net Revenue breakdown



Non-regulated Revenue

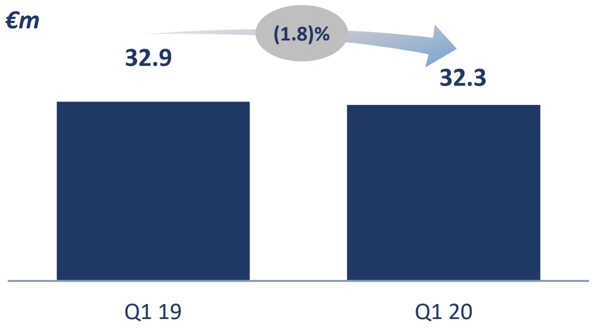


- **Net Revenue down by 3.8% YoY**, due to decline in **Revenue from Operations, down 23.5%,** largely offset by positive Balance
- Material **decrease in both en-route and terminal revenue, down 24% and 30.8%,** respectively, mainly as a result of **Covid-19 outbreak,** combined with **lower 2020 tariffs vs 2019**
- Revenue decrease partly offset by **positive balance created in the period,** amounting to **€28.4m**, vs a negative Balance of -€6.7m in Q1 2019, mainly as a combination of:
  - Positive balance due to en-route and terminal traffic significantly lower than forecast: €12.6m balance for en-route and €14m balance for terminal.
  - Slightly positive balance reversal applied in 2020 tariffs of €1.7m
- **Revenue from non-regulated business at €5.8m,** more than double the result of Q1 2019, due to revenue from IDS AirNav that was not present in Q1 2019
- **Other Operating Income at €8.3m**, lower by €0.5m vs Q1 2019, mainly due to a lower level of EU projects financing

1. Other includes balance, non-regulated activities, opex contributions, exemptions and other income

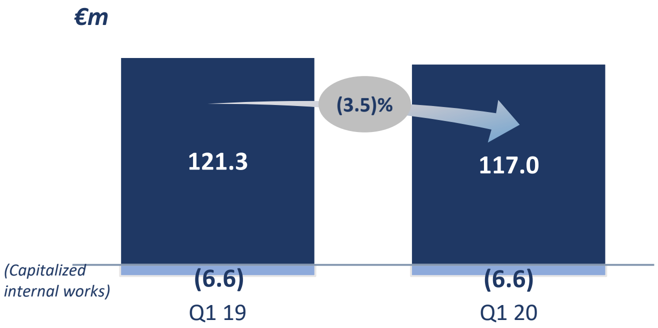
Cost Efficiency on Track

Delivering further external cost efficiency



- **External opex optimization** continuing to deliver results with reduction of €0.6m YoY (-1.8% vs Q1 2019), as a combination of:
  - Reduction of utilities and telecommunication costs (-17%), also due to lower consumption driven by most employees working from home in March, and due to lower costs of our full IP digital network
  - Lower costs (-12%) related to activities performed by our subsidiary Techno Sky
  - Higher expenses for external services due to Covid19-specific initiatives (extraordinary sanitization) and due to international activities by our subsidiaries

Discipline on personnel costs

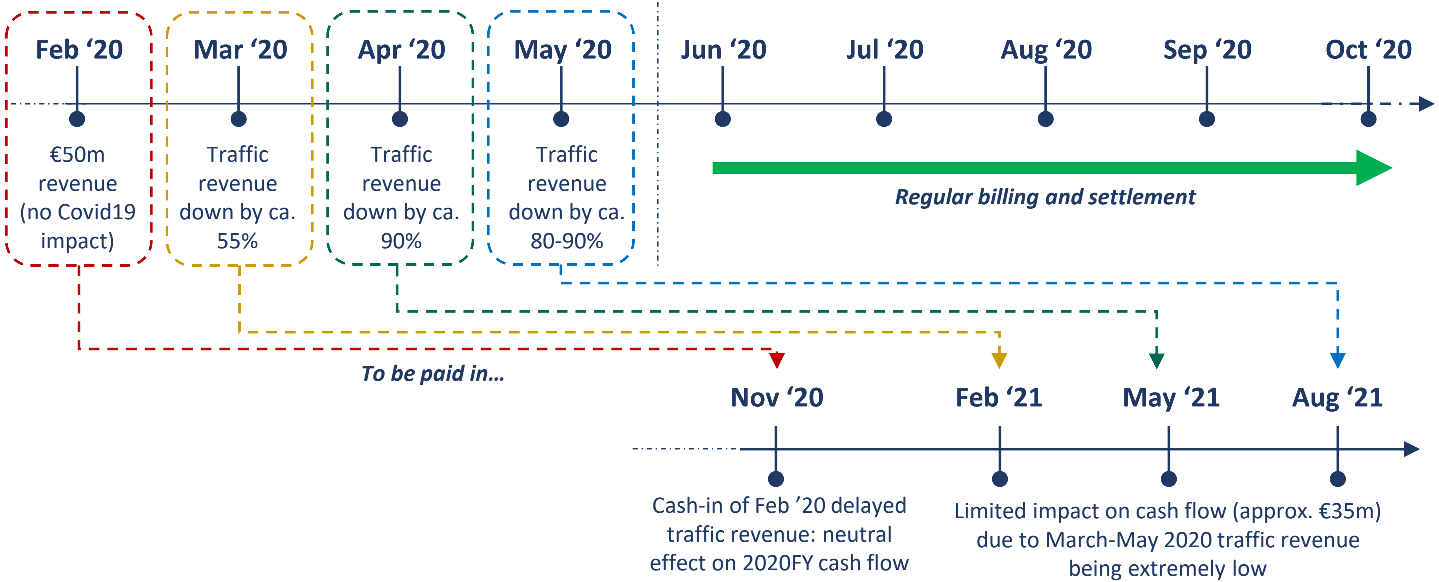


- Material decrease in **Personnel Costs** (-€4.2m, -3.5% YoY), as a result of:
  - **Significant decrease in variable pay and social securities costs**, as a consequence of reduced overtime combined with use of vacation balances, given the drastic slowdown in traffic starting end of February
  - **Marginal increase in fixed pay**, as effect of labor contract and the inclusion of IDS AirNav employees, partly offset by headcount reduction
- **Stable capitalized internal works**

Sector Initiatives within Existing Regulation

Agreement with Eurocontrol and member states to defer en-route and terminal traffic charges due by airlines for the period Feb-May 2020

«Business as usual» core revenues: €60-70m per month; cash-in depends on actual traffic, while the remaining part is recorded as balance revenues according to the traffic risk sharing mechanism set by regulation



RP3

RP3 regulatory framework, approved in February 2019. The **negotiation process** with the regulator on country-specific performance plans is **still under way**. Based on the formal submission by Italy, the applied 2020 tariffs are the following: €66.02 per service unit for en-route, €167.33 per terminal zone 1, €167.56 for terminal zone 2, and €298.93 for terminal zone 3

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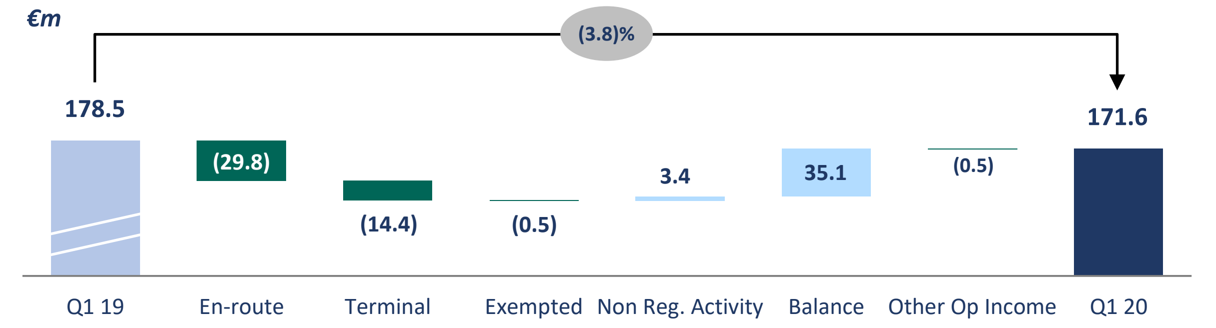
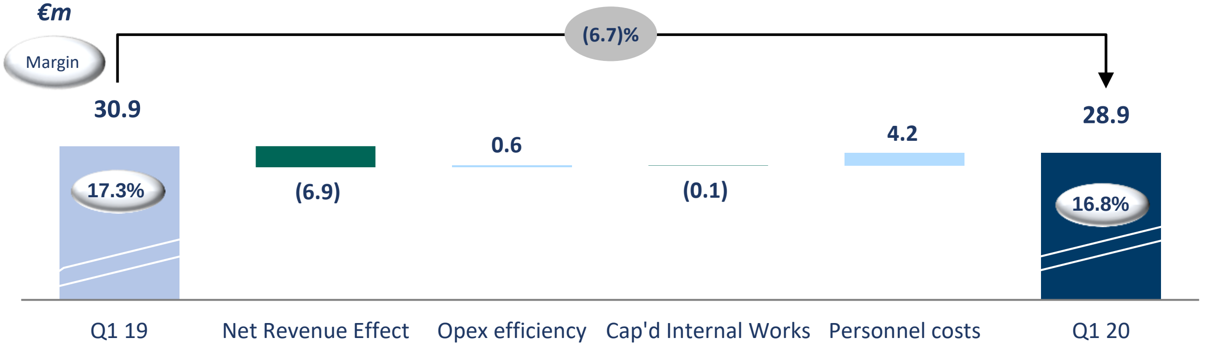
Q1 2020
Financials Overview

Net Revenue and EBITDA Development

Net Revenue



EBITDA



- Net Revenue decrease of 3.8% YoY due to:
  - -€29.8m in en-route revenue and -€14.4m in terminal revenue; marginal decline in revenue from exempted flights (-€0.5m)
  - Higher Revenue from non-regulated activities by €3.4m, mostly due to the integration of IDS business
  - €35.1m positive contribution from balance, mainly due to new balance creation from traffic risk sharing mechanism
  - Lower Operating Income by €0.5m, mainly due to lower EU financed projects
- EBITDA down 6.7% to €28.9m driven by top line decline, partially offset by opex efficiency and lower personnel costs; EBITDA margin shrinks slightly to 16.8%

Consolidated P&L and Main Movements Below EBITDA

€ mln	Q1 2020	Q1 2019	Change Amount	%
Revenue from operations	134,885	176,264	(41,379)	(23.5)%
Balance	28,390	(6,672)	35,062	n.a.
Other operating income	8,341	8,882	(541)	(6.1)%
Total Net Revenue	**171,616**	**178,474**	**(6,858)**	**(3.8)%**
Personnel costs	(117,041)	(121,288)	4,247	(3.5)%
Capitalized internal works	6,572	6,635	(63)	(0.9)%
Other net operating costs	(32,281)	(32,875)	594	(1.8)%
Total operating costs	**(142,750)**	**(147,528)**	**4,778**	**(3.2)%**
EBITDA	**28,866**	**30,946**	**(2,080)**	**(6.7)%**
EBITDA margin	**16.8%**	**17.3%**	**(0.5)%**	
D&A (net of capex contributions)	(32,038)	(32,569)	531	(1.6)%
Provisions and writedowns	(58)	2	(60)	n.a.
EBIT	**(3,230)**	**(1,621)**	**(1,609)**	**(99.3)%**
EBIT margin	**(1.9)%**	**(0.9)%**	**(1.0)%**	
Financial income / (expenses)	(1,342)	(1,255)	(87)	6.9%
Profit before income taxes	**(4,572)**	**(2,876)**	**(1,696)**	**(59.0)%**
Income taxes for the period	(1,634)	(687)	(947)	137.8%
Net Income/(Loss) for the period	**(6,206)**	**(3,563)**	**(2,643)**	**(74.2)%**
Net Income/(Loss) pertaining to the Group	(6,148)	(3,553)	(2,595)	(73.0)%
Minority interests	(58)	(10)	(48)	n.a.

- D&A decrease of €0.5m, mainly due to lower depreciation and slightly higher capex contributions
- Stable provisions and write-downs
- Marginal increase in net financial expenses vs previous year, as a net result of lower interest income from VAT receivables and lower FX gains, more than offsetting lower interest expenses
- Marginal increase in income taxes in Q1 2020 also due to higher taxable income of subsidiaries
- Net Loss of €(6.2)m vs €(3.6)m in Q1 2019

Cash Flow and Capitalization

- **ENAV's liquidity and financial position remain very solid**, enabling a smooth management of Covid-19 emergency
- **Cash balance increases by €27m over 2019FY to €477m**
- Net Financial Position reflects a solid **Net Cash of €153m**
- In **order to ensure the financial stability of our company**, we are putting in place the following initiatives:

NFP at Q1 2020	Maturity		Total debt outstanding/cash (€m)
	Current (<1 year)	Non-current	
Total Debt	**19**	**330**	**349**
Cash & Equivalents			**477**
Financial Receivables	**25**	**0.2**	**25**
Net Debt (Net Cash)			**(153)**
Net Cash / Q1 2020 LTM EBITDA			**0.5x**

- **En-route and terminal charges for February to be cashed-in in November 2020**, while charges related to **March, April and May 2020 to be cashed in 2021**, as agreed with Eurocontrol
- En-route and terminal **charges from June onwards to be cashed-in regularly**
- **Average cost run-rate reduced from approx. €50m per month to €45m per month**, thanks to further cost cutting initiatives
- **Additional liquidity buffer** through **postponement of €40m of Capex**
- **No material debt maturities until 2022**
- **Additional liquidity available including €70m EIB financing and other credit lines of approx. €150m; plus additional €150m credit lines under negotiation**
- Confirmed **dividend payment of €113m** in May 2020

2020 Outlook

- **Traffic** expected to reach **inflection point in late June** and gradually recover over the second half of the year
- Maintaining **full operational continuity in "light-lockdown phase"**, with **maximum protection for employees**
- **Further cost efficiency measures** put in place, starting in March, to defend margins
- **Outlook 2020FY:**
  - Net Revenue decline mid-single digit YoY
  - Net Income decline high-single digit YoY
  - Capex ca. €80m
- **AGM on May 21** will elect **new BoD**, including **new CEO and Chairman**

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THANK YOU

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