2020 Full Year Financial Results

April 20, 2021

sustainabilityenav

We look up to cleaner and safe skies.

enav group

2020 Highlights

Resilient Performance in an Unprecedentedly Challenging Environment

- **Business continuity preserved while maintaining highest safety standards with no reduction in quality**
- **Limited impact** of Covid-19 outbreak **on our regulated business**, thanks to protective regulation
- **Best-in-class operating performance** (average minutes of delay per flight) kept **unchanged**
- **Non-regulated business growth** despite pandemic

Pro-active Management of Covid-19 Emergency

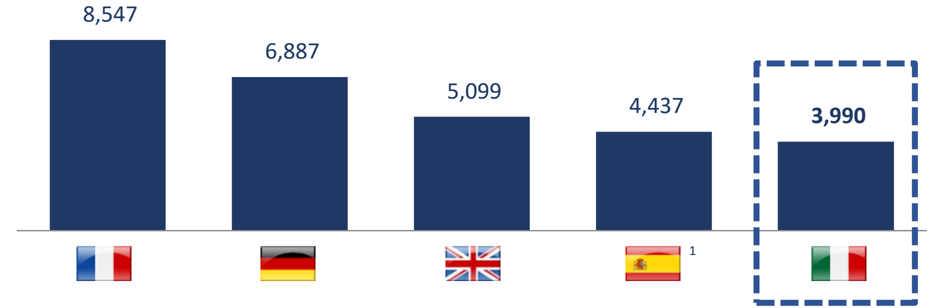
- **Top priority: protecting health of people and employees** while providing seamless top-quality service
    - New **work organization** for air traffic controllers put in place
    - **Flexible working arrangements** adopted on a mass scale where possible
    - **Extra cleaning and sanitization** activities performed in all premises
- **Measures to preserve Group accounts implemented** with Opex and Capex streamlined
- **Financial strength preserved** with new funding resources activated and cash management optimized

2020 Highlights – Business Overview

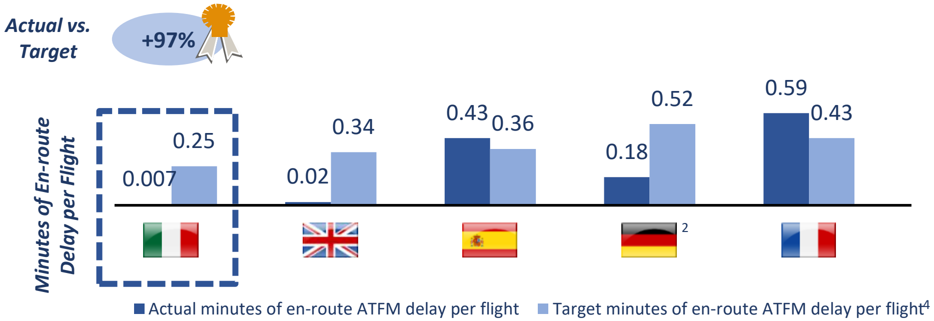
- **The severe impact of the Covid-19 emergency on the aviation sector**, starting from March 2020, **reduced en-route traffic 60.3% YoY;** the traffic low registered in April and May was followed by slight recovery during the summer, which was reversed by the second wave of the pandemic in the autumn
- **Despite the Covid-19 emergency** impacting all European countries, **ENAV** was again a **top performer** among big European countries in terms of **quality of service while preserving the highest safety standards**
- **Net revenues declined by 14.6% YoY to €771.3m** due to reduction in revenue from operations, down 63.0% YoY as a result of the severe traffic reduction caused by Covid-19, largely offset by the positive balance
- **Non-regulated revenue increased 40.3% YoY reaching €26.9m,** mainly thanks to IDS AirNav, acquired in July 2019
- **EBITDA at €210.8m (-30.4% YoY)**, with significant cost efficiency measures partially offsetting the revenue decline
- **EBITDA margin at 27.3%**
- **Net profit of €54.0m** despite Covid-19 impact on the aviation sector
- Capex of €91.5m in 2020, 21.3% lower than the €116.3m recorded in 2019
- **Solid liquidity profile**, with cash balance of €316.0m
- Net debt/EBITDA of 1.1x with **net financial debt of €236.6m** driven by NWC absorption due to non-cash balance generated in the year
- Despite Covid-19's impact on ENAV's accounts, the Company **fully preserved employment levels**, with **no recourse to furloughs or State aid**
- Given the uncertainty about the speed of the recovery in air traffic, which is strictly correlated with the vaccination campaign, and in order to preserve cash to face incoming challenges more effectively, **BoD will propose to AGM no Dividend for financial year 2020**

Consistently Delivering Best in Class Performance Despite Covid-19

2020 En-route Service Units ('000)



Performance Quality Leader in Europe[3] (2020)



Despite the Covid-19 pandemic's severe impact on traffic, ENAV was again:

5th Largest Air Navigation Service Provider **in Europe**[3]

Provider of the **best-in-class performance** in terms of quality and safety of services

Source: ENAV based on third party data

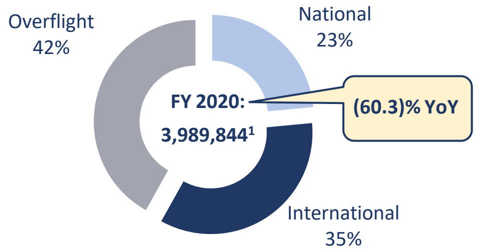
1. Refers to continental Spain
2. Refers to DFS only
3. Europe including UK
4. Performance target as per October 2019 pre-Covid-19 pandemic performance plan (not approved)

2020 Main Traffic Trends

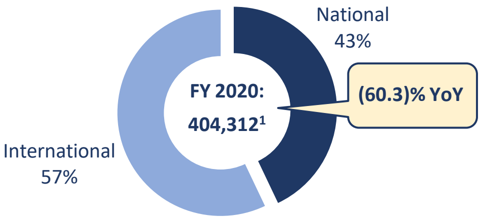
Severe impact from Covid-19, starting from March, after strong traffic growth in the first two months of 2020

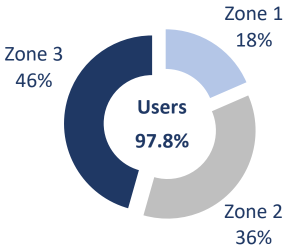
- **En-route service units down 60.3%[1] YoY** as a combined result of:
    - Overflight service units down 60.2% YoY
    - International service units down 67.2% YoY
    - National service units 48.7% YoY
- **Terminal service units down 60.3%[1] YoY** due to:
    - Decrease in both international and national traffic, down 66.6% and 49.1% YoY, respectively
    - Decline in traffic in all three charging zones
- 2020 traffic decrease in Italy was **in line with other major countries in Europe**

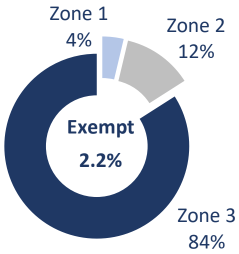
En-route (traffic breakdown by service units)



Terminal (traffic breakdown by service units)



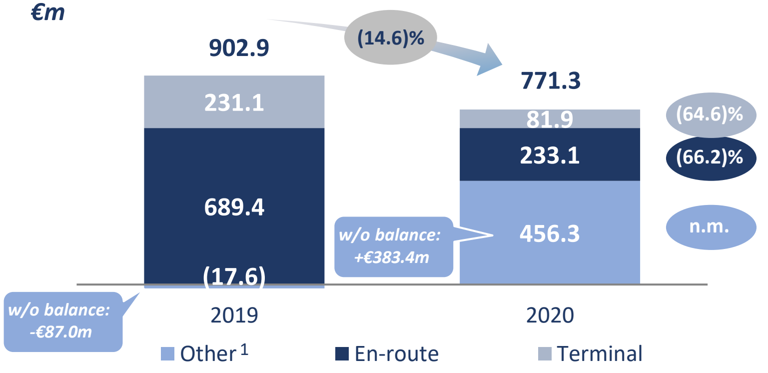




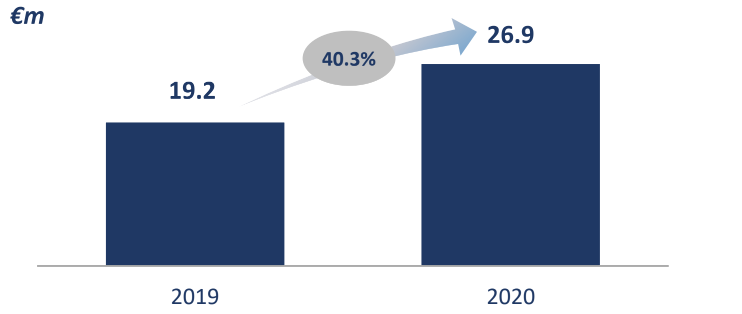
1. Excluding exempt flights not communicated to Eurocontrol (for en-route 2,208 SUs, terminal 782 SUs)

Net Revenue Performance

Net Revenue Breakdown



Non-Regulated Revenue

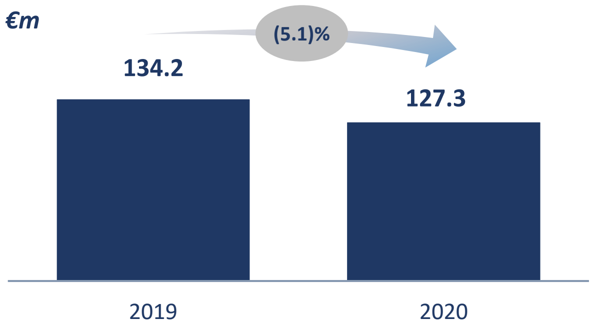


- **Net revenue was down 14.6% YoY**, (€131.6m) due to the decline in **revenue from operations (-63.0%)**, largely offset by the positive balance
- **Significant decrease in both en-route and terminal revenue, down 66.2% and 64.6%,** respectively, due to the **Covid-19 pandemic** (impacting from March), combined with **lower tariffs charged** in 2020 vs. 2019
- The revenue decrease was largely offset by **a positive balance of €383.4m in 2020,** compared with a negative balance of -€87.0m in 2019, mainly reflecting significantly lower-than-forecast en-route and terminal traffic due to the Covid-19 outbreak. In 2020, the balance includes Company assumptions on the effect of the European Commission's new regulation concerning the temporary derogation from the RP3 performance scheme for 2020 and 2021
- **Revenue from non-regulated business at €26.9m,** up 40.3% compared with 2019, mainly driven by the IDS AirNav acquisition in July 2019
- **Other operating income at €35.7m**, decreasing 6.3% (€2.4m) vs. 2019, mainly due to a decline in EU funded projects

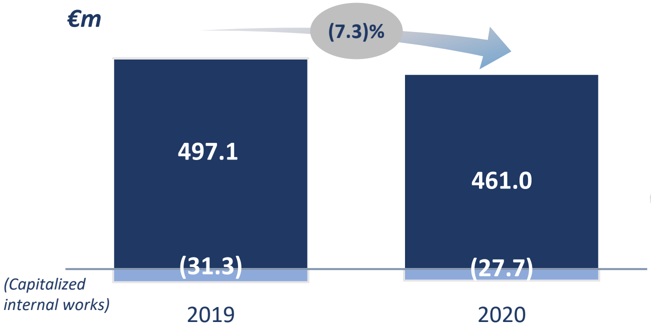
1. Other includes balance, non-regulated activities, opex contributions, exemptions and other income

Cost Efficiency Measures Mitigating Revenue Decline

Delivering External Cost Efficiency



Discipline in Personnel Costs



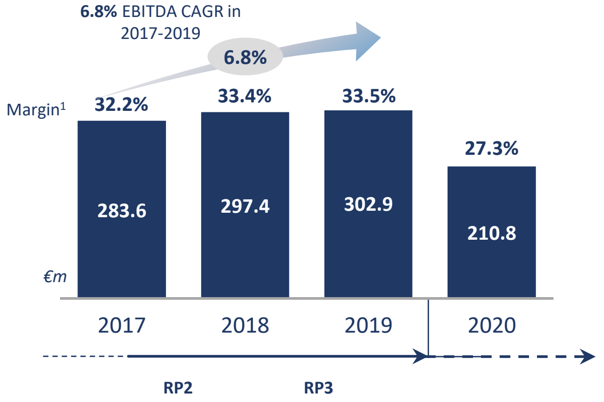
* Excl. IDS AirNav, consolidated in ENAV's accounts starting from July 2019

- **External opex optimization** delivering good results, decreasing €6.9m YoY or -5.1% as a combination of:
  - Reduction of utilities and telecommunication costs (-14%), thanks to lower consumption driven by most employees working from home, and lower costs thanks to our full IP digital network
  - Decrease in costs for the purchase of goods (-21%), coming from streamlining of expenditure coupled with postponement of some activities due to the Covid-19 pandemic
  - Lower SG&A and business travel related costs because of Covid-19 related mobility restrictions
  - Increase in costs for external services and insurance due to Covid-19 specific initiatives (extraordinary sanitization, more frequent ordinary cleaning and additional health insurance)
- Note that savings would have been higher on a comparable basis*

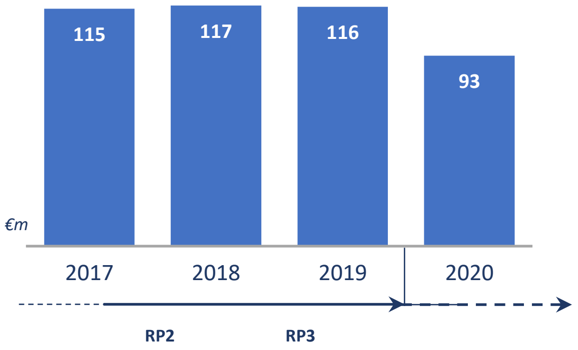
- Significant decrease of €36.2m in **Personnel Costs** (-7.3% YoY), as a result of:
  - **a significant decrease in variable pay and social securities costs**, coming from substantial reduction in overtime and use of outstanding holiday entitlement, driven by drastic reduction in traffic starting in March
  - **a marginal increase in fixed pay**, the effect of the inclusion of IDS AirNav employees and the 2019 labor contract renewal
- **Capitalized internal works** decreased €3.5m (-11.3%) due to lower capital expenditure in 2020
- Note that savings would have been higher on a comparable basis*

Historical Growth Trend Put on Hold by Covid-19

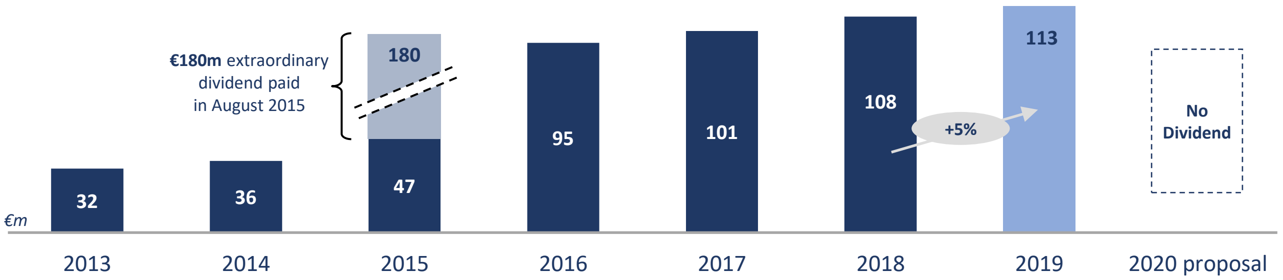
EBITDA and Profitability



Capex



Increasing Historical Dividend Distribution



- **EBITDA and margin growth trends** registered in 2017-2019 halted by Covid-19 outbreak in 2020
- **Capex** at €92.5m: optimized with no stop in core investments
- **Growing** historical **dividend distribution paused in 2020** due to Covid-19 pandemic impact on NFI
- **Confirmed previous clear dividend policy** of **no less than 80% of Normalized Equity FCF** [2] for the years following 2020 and included in RP3

Source: ENAV

1. Margin based on revenues net of capex contribution
2. Normalized Equity FCF calculated as normalized net Income (net of IPO costs post tax) + D&A gross of capex contribution – non-financial capex

RP3 Regulation Update

RP3 Timing as per European Commission Proposed Temporary Derogation for 2020 and 2021

What Happened

- The RP3 regulatory framework was approved in February 2019 and cost efficiency targets were set in May 2019 with performance plans submitted by year end 2019.
- Approval by European Commission (EC) of country-specific performance plans for RP3 (2020-2024), originally scheduled for around March 2020, was put on hold due to the Covid-19 pandemic. Based on the formal submission by Italy, the charges applied in 2020 were 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
- In July 2020, the EC published a proposal (approved on November 4) for a temporary derogation for 2020 and 2021 from the Single European Sky performance and charging scheme, allowing for special rules for 2020 and 2021 and the setting of revised Union-wide performance targets for RP3 to mitigate the significant impact of the Covid-19 pandemic on the air transport sector and to ensure the long-term viability of the sector

New Timing for RP3

• National supervisory authorities to provide European Commission with cost data and air traffic forecasts for RP3 by **December 2020**, as inputs for setting the revised Union-wide performance targets for RP3	✓
• The European Commission to provide revised Union-wide performance targets for RP3 not later than **May 2021**	
• National supervisory authorities to submit new performance plans to the Commission by **October 2021**	
• European Commission to approve new performance plans by **year-end 2021/early 2022**	

Countermeasures to Support Air Transport Sector

1 **Agreement with Eurocontrol and member states to defer February-to-May billing due from airlines**

Feb 2020	Mar 2020	Apr 2020	May 2020
€50m revenue (pre Covid-19 impact)	Traffic revenue down by about 55%	Traffic revenue down by about 90%	Traffic revenue down by about 90%

Cash received in: Nov 2020 ✓ Feb 2021 ✓

To be paid in: May 2021 Aug 2021

From June 2020 onward

Return to regular billing and settlement cycle

Airline payments are regular, with 99.5% recovery rate on billed amounts*

2 2020/2021 Tariffs

2020 and 2021 tariffs kept "low" and based on traffic forecast as per October 2019 pre-Covid-19 pandemic performance plan even if not approved

3 2020/2021 Single Period

2020 and 2021 to be considered as a single period in determining RP3 performance target

4 2020/2021 Bonus

Bonus-Malus mechanism for operating performance suspended for 2020 and 2021

5 2020/2021 Balance

Balance accrued in 2020 and 2021 to be deferred and recovered over at least 5 calendar years starting from 2023

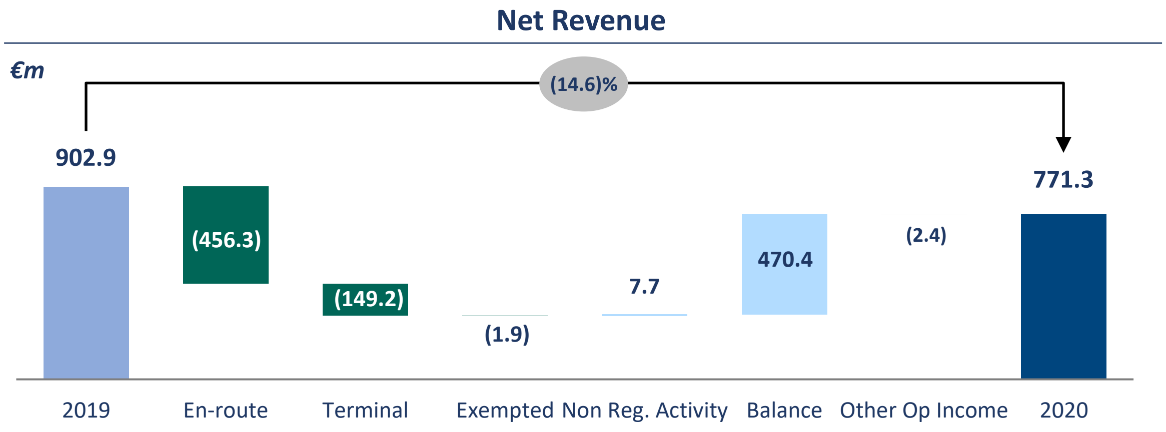
6 2022 Onward

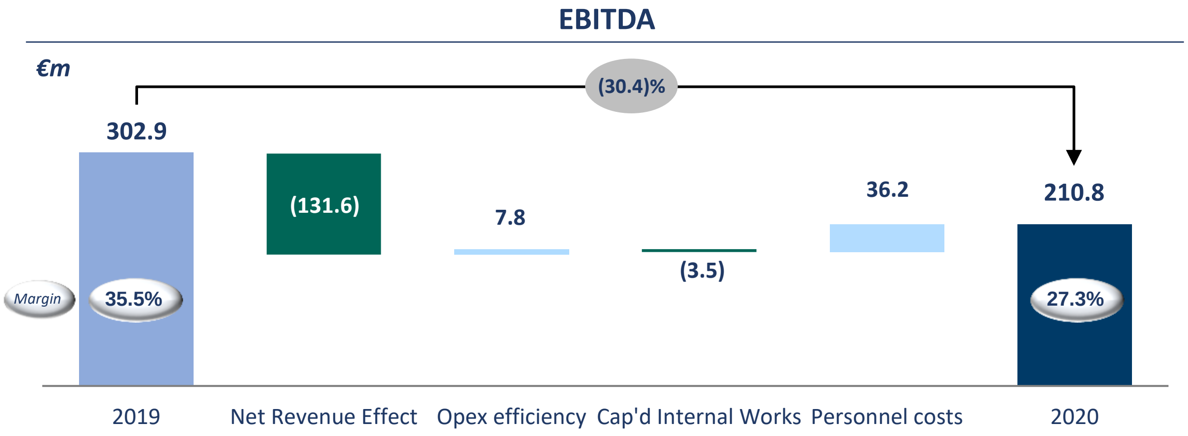
"Back to normal" from 2022 to 2024 with charges based on traffic forecast that takes account of Covid-19 impact on RP3 traffic volumes

*Source Eurocontrol

FY 2020
Financials Overview

Net Revenue and EBITDA Development





- **Net Revenue** reduction of 14.6% YoY due to:
  - Decrease of: €456.3m in en-route revenue, €149.2m in terminal revenue, €1.9m in revenue from exempted flights. All declines were mainly due to Covid-19 pandemic
  - Increase of €7.7m in revenue from non-regulated activities, driven by the integration of IDS AirNav business
  - Balance positive contribution of €470.4m, mainly related to 2020 balance as a consequence of the Covid-19 outbreak.
  - Decrease in Other Operating Income of €2.4, mainly due to lower EU financed projects
- **EBITDA** declines to €210.8m with material reduction in top-line partially offset by lower personnel costs and opex efficiency; EBITDA margin at 27.3%

Consolidated P&L and Main Movements Below EBITDA

	2020	2019	Change Amount	Change %
Revenue from operations	352,216	951,767	(599,551)	-63.0%
Balance	383,378	(86,975)	470,353	n.a.
Other operating income	35,701	38,099	(2,398)	-6.3%
Total Net Revenue	**771,295**	**902,891**	**(131,596)**	**-14.6%**
Personnel costs	(460,957)	(497,118)	36,161	-7.3%
Capitalized internal works	27,727	31,262	(3,535)	-11.3%
Other net operating costs	(127,280)	(134,164)	6,884	-5.1%
Total operating costs	**(560,510)**	**(600,020)**	**39,510**	**-6.6%**
EBITDA	**210,785**	**302,871**	**(92,086)**	**-30.4%**
EBITDA margin	***27.3%***	***33.5%***	***(6.2) p.p.***	
D&A (net of capex contributions)	(128,501)	(130,462)	1,961	-1.5%
Provisions and writedowns	(11,160)	(1,822)	(9,338)	n.a.
EBIT	**71,124**	**170,587**	**(99,463)**	**-58.3%**
EBIT margin	***9.2%***	***18.9%***	***(9.7) p.p.***	
Financial income / (expenses)	(6,125)	(4,618)	(1,507)	32.6%
Profit before income taxes	**64,999**	**165,969**	**(100,970)**	**-60.8%**
Income taxes for the period	(11,027)	(47,700)	36,673	-76.9%
Net Income/(Loss) for the period	**53,972**	**118,269**	**(64,297)**	**-54.4%**
Net Income/(Loss) pertaining to the Group	54,283	118,433	(64,150)	-54.2%
Minority interests	(311)	(164)	(147)	89.6%

- **D&A** remained almost stable (-1.5% YoY) vs. previous year
- Increase of €9.3m in **provisions and write-downs** mainly due to provisions accounted for in the period of about €6m in relation to the increased business risk resulting from Covid-19 pandemic
- **Financial expense** increased by €1.5m vs previous year, reflecting increase in financial expense on additional debt incurred in the year
- Significant decrease in **income taxes** mainly driven by lower taxable income and positive impact of deferred taxes for the most part related to balance discounting
- **Net profit** of €54.0m, down YoY due to Covid-19 outbreak

Cash Flow and Capitalization

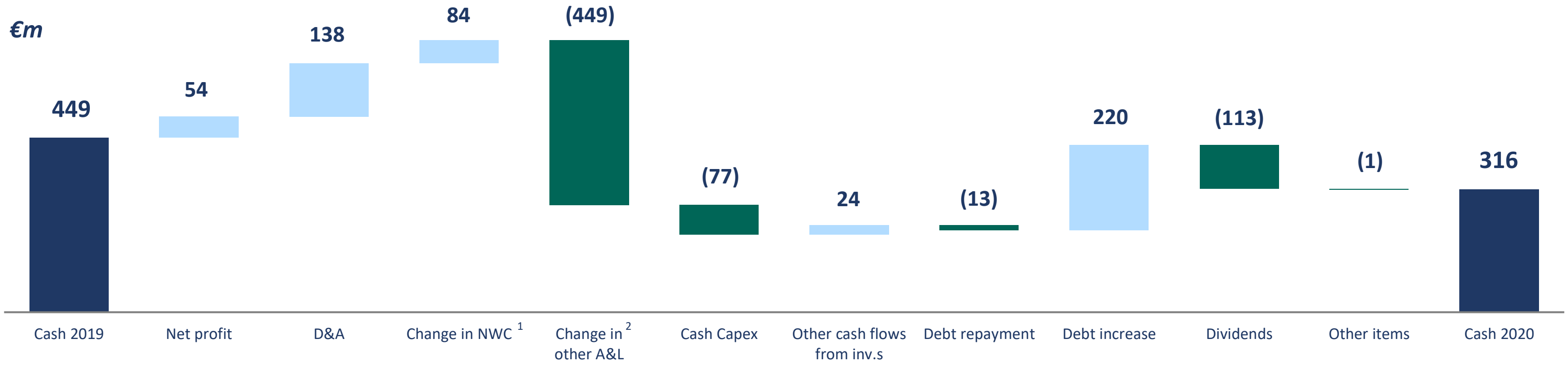
	Maturity		Total debt outstanding/ cash (€m)
	Current (<1 year)	Non-current	
Total Debt	68	485	553
Cash & Equivalents			316
Net Debt (Net Cash)			237
Net Debt / 2019 EBITDA			1.1 x

- **ENAV's liquidity and financial position remains adequate** to face future challenges, despite the effect of the Covid-19 outbreak
- **The cash balance** in 2020 **decreased by €133m over 2019 to €316m**
- **The net financial position** at the end of 2020 **shows net debt of €236.6m** compared with net cash of €126m at the end of 2019
- **Availability of undrawn credit lines of approximately €292m**
- **No material debt maturing** until 2022

Initiatives Taken by the Company to Strengthen Financial Position

- **Average monthly burn rate reduced by 6.7%**, thanks to cost cutting initiatives implemented as shown in previous slides
- **Additional liquidity buffer** through **postponement of approximately €30m of Capex**
- **Incremental liquidity** included in cash position coming from **2 new ESG linked term loans** totalling **€150m** as well as draw down of last tranche of EIB financing for a total of **€70m**

Cash Flow Details



- **The cash balance decreased by €133m in 2020 vs 2019** as a result of:
  - Net profit of €54m more than offset by €113m in dividends paid
  - Capex of €91m (cash capex of €77m) more than offset by €138m in D&A
  - Positive contribution of €84m from net working capital[1] mainly driven by the dynamics of trade receivables and payables
  - A&L[2] decrease of €449m, mainly related to the balance, partially offset by debt increase of €220m, fully draw down
  - Other cash flow from investments of €24m reflecting cash-in of matured financial investments
- **Net cash of €316m as at December 31, 2020**

1. Change in trade payables, trade receivables and Inventories
2. Change in Other current and non-current assets and liabilities, change in income tax payables and social security payables, as well as a number of other minor items

Key Take-Aways

2020

- Despite the severe traffic reduction that characterized 2020, ENAV was able to hold on well thanks to its protective regulatory framework and its ability to streamline operating costs and Capex
- Business continuity was preserved while maintaining the highest safety standards with no quality reduction
- Employment levels and liquidity were preserved to ensure business viability for all stakeholders
- ESG commitment reinforced: ENAV to become a carbon neutral company in 2022
- Working hard for a better environment: 91 million kilograms of CO_2 emissions avoided in 2020 thanks to the Free Route programme

2021 and Beyond

- Mildly positive on air-traffic recovery given the expected acceleration in the vaccine campaign
- No guidance on future years can be provided until RP3 performance plans are finalized

THANK YOU

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We look up to cleaner
and safe skies.

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