

PRESS RELEASE

ENAV'S BOARD OF DIRECTORS APPROVES THE INTERIM FINANCIAL REPORT AT 31 MARCH 2020 *Guaranteeing operational continuity while protecting the health of personnel*

- **Health and safety plan activated for operational staff and *smart working* adopted by administrative staff to fully guarantee service;**
- **En-route and terminal traffic** declined by -12.3% and -22.4% respectively, in terms of service units¹ vs. the first quarter of 2019;
- **Consolidated revenue** of 171.6 million euro (-3.8% vs. Q1 2019);
- **Consolidated EBITDA** of 28.9 million euro (-6.7% vs. Q1 2019), with cost efficiency measures offsetting most of the decline in revenue;
- **Consolidated net result** negative for 6.2 million euro vs a negative result of 3.6 million euro in Q1 2019, also due to higher taxable income from the subsidiary Techno Sky; Q1 net result typically negative due to seasonality, further impacted by Covid-19 crisis;
- **2020 Outlook:** revenues expected to decline ‘mid-single digit’ vs. 2019 due to a significant reduction in air traffic, partly compensated by regulatory protection mechanism; net income expected to decline high-single digit vs. 2019 thanks to cost-efficiency initiatives.

Rome, 14 May 2020 – The ENAV S.p.A. Board of Directors meeting, held today under the chairmanship of Nicola Maione, approved the interim financial report as of 31 March 2020, which saw results for the first quarter materially affected by the Covid-19 epidemiological emergency.

The first quarter of 2020 was characterised by a strong growth trend in air traffic in January and February, followed by a rapid and severe reduction in air traffic starting from March due to the spreading of the Covid-19 virus. Being in charge of a strategic national service, in order to cope with the Covid-19 pandemic, ENAV deployed a contingency plan to guarantee the full operation of air traffic control services while protecting its operational staff's health by implementing rotating and interchangeable shifts, which were managed in total safety. For its administrative staff, ENAV applied *smart working* practices and developed online communities in order to maintain the human contact among colleagues. At the same time, ENAV has guaranteed the full salary payment to all its personnel.

In light of the challenging context, several solidarity initiatives were promoted as well as initiatives aimed at reducing the Company's costs. In more detail, the Company's management signed an agreement to cut their short-term variable remuneration (MBO) for

¹ A conventional weighted measurement unit which takes into account the aircraft certified take-off weight and, in case of en-route traffic, the distance travelled in the Italian airspace.

the financial year 2020 by 50%, with the proceeds allocated to support scientific research for anti-Covid-19 vaccine. Furthermore, during lockdown the executive staff used their previously accrued annual leaves, thus reducing the Company's costs while continuing to perform their job. Lastly, the Company's management team donated the equivalent of a day's public holiday compensation to charity.

At the corporate level, ENAV provided an immediate and tangible contribution to the fight against the Covid-19 virus by supporting the Istituto Nazionale Malattie Infettive (*National Institute of Contagious Diseases*) Lazzaro Spallanzani (Rome) and the Dipartimento della Protezione Civile (*Department of Civil Protection*) through direct donations.

ENAV's CEO Roberta Neri stated: *Despite these critical times, ENAV has never stopped its activity. Our institutional mission and our values reside in providing excellence and continuity to the strategic service we are guaranteeing, not only to all flights involved in managing the health emergency, but also to all other airspace users who are still flying over Italy in these days. We have maintained our services fully operational while protecting our staff's health and safety, by reorganizing our operational staff's work practices and significantly expanding the adoption of smart working for our administrative staff. Although it is still hard to imagine a return to normality and a full recovery of air traffic, I am confident that all the institutions will work to find a solution in the short term, to ensure passengers will be able to travel once again in complete safety. Our Company has a solid capital structure and ample liquidity and benefits from a European regulatory system that mitigates traffic risk. We have also pro-actively strengthened our liquidity through further cost efficiency initiatives in order to offset the decline in revenue and preserve our margins. I am confident that air traffic will return to growth once again, as has occurred in the past; ENAV and its staff will play a leading role in this recovery, continuing to work and invest for the future, knowing that all of us will fly again - #torneremoavolare.*

En-route traffic in Italy, in terms of service units, decreased by 12.3% in the first quarter of 2020, compared to the same period of 2019. This was in line with the European average, which marked a decrease of 13.3%. January and February showed a strong growth in air traffic (+9.8% vs. January-February 2019), while March was affected by the general lockdown following the Covid-19 health emergency, resulting in a 50% decrease in en-route traffic. Positive data from overflight traffic (relating to flights that pass through Italian airspace) are worth pointing out, recording a growth of 3.2% in service units in the first quarter of 2020. This result was mainly driven by the adoption of lockdown measures of other European countries a few weeks after Italy.

En-route traffic (service units)	1st Quarter 2020	1st Quarter 2019	no.	Change
				%
Domestic	300.879	387.880	(87.001)	-22,4%
International	588.179	744.222	(156.043)	-21,0%
Overflight	673.007	651.271	21.736	3,2%
Paying total	1.562.065	1.783.373	(221.308)	-12,4%
Military	27.465	30.461	(2.996)	-9,8%
Other exempt	3.003	2.836	167	5,9%
Total exempt	30.468	33.297	(2.829)	-8,5%
Total reported by Eurocontrol	1.592.533	1.816.670	(224.137)	-12,3%
Exempt not reported to Eurocontrol	256	398	(142)	-35,7%
Total	1.592.789	1.817.068	(224.279)	-12,3%

Terminal traffic² decreased by 22.4% in Q1 2020 in terms of service units. As of 13 March, only 18 out of 45 Italian airports managed by ENAV remained open. In the month of March, the 8 largest Italian airports recorded a traffic decrease of over 90%: Rome Fiumicino (-91%), Milan Malpensa (-89.8%), Milan Linate (-97.5%), Venice (-95.1%), Bergamo (-95.4%), Naples (-95.5%), Catania (-96%), Palermo (-92.4%), and Bologna (-90.7%).

Terminal traffic (service units)		1st Quarter 2020	1st Quarter 2019	Change	
		no.	no.	no.	%
Domestic					
	Chg. Zone 1	10.739	15.164	(4.425)	-29,2%
	Chg. Zone 2	13.158	16.843	(3.685)	-21,9%
	Chg. Zone 3	32.425	41.786	(9.361)	-22,4%
	Total domestic SUs	56.322	73.793	(17.471)	-23,7%
International					
	Chg. Zone 1	25.623	35.065	(9.442)	-26,9%
	Chg. Zone 2	45.486	57.895	(12.409)	-21,4%
	Chg. Zone 3	32.701	40.344	(7.643)	-18,9%
	Total international SUs	103.810	133.304	(29.494)	-22,1%
Paying total					
		160.132	207.097	(46.965)	-22,7%
Exempt					
	Chg. Zone 1	42	35	7	20,0%
	Chg. Zone 2	249	84	165	196,4%
	Chg. Zone 3	1.635	1.604	31	1,9%
	Total exempt SUs	1.926	1.723	203	11,8%
Total reported by Eurocontrol					
		162.058	208.820	(46.762)	-22,4%
Exempt not reported to Eurocontrol					
	Chg. Zone 1	0	0	0	n.a.
	Chg. Zone 2	5	7	(2)	-28,6%
	Chg. Zone 3	145	193	(48)	-24,9%
	Total exempt SUs not reported to Eurocontrol	150	200	(50)	-25,0%
Total by Charging Zone					
	Chg. Zone 1	36.404	50.264	(13.860)	-27,6%
	Chg. Zone 2	58.898	74.829	(15.931)	-21,3%
	Chg. Zone 3	66.906	83.927	(17.021)	-20,3%
	Total	162.208	209.020	(46.812)	-22,4%

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

FINANCIAL PERFORMANCE

Total consolidated net revenue in the first quarter of 2020 reached 171.6 million euro, with a decrease of 3.8% vs. Q1 2019, as a combined effect of a reduction in revenue from operations, partly compensated by the traffic risk protection mechanism inherent in the European regulation.

Revenue from operations in the same period reached 134.9 million euro, with a decrease of 23.5% due to a decline in both revenue from en-route services, amounting to 94.3 million euro (down 24%), and terminal services which fell by 30.8% to 32.5 million euro.

Revenues from non-regulated business amounted to 5.8 million euro, more than double the revenue recorded in Q1 2019 of 2.4 million euro. This was mainly due to the revenues from IDS AirNav (acquired by ENAV in July 2019), which amounted to 3.1 million euro. In addition to the revenues from IDS AirNav, the other part of non-regulated revenue mainly refers to flight inspections and aeronautical consultancy services provided in Italy and abroad.

The effect of **balance**³ on net revenue in Q1 2020 was positive for 28.4 million euro, with an increase of 35 million euro compared to Q1 2019. In more detail, en-route balance was positive for 13 million euro, with an increase of 9.7 million euro compared to Q1 2019, mainly due to the difference between actual service units and those planned in the performance plan. Terminal balance amounted to 15.4 million euro, with an increase of 11.7 million euro compared to Q1 2019, determined by the lower actual service units compared to the volumes foreseen for major airports, and by the recovery of costs incurred in relation to the recorded revenues (along the lines of a cost-recovery logic) for smaller airports.

As a result of the efficiency initiatives adopted in the quarter, **operating costs** were reduced by 3.2% compared to Q1 2019 and stood at 142.7 million euro. On a comparable basis, excluding the effect of the consolidation of IDS AirNav, costs were reduced by 6% over Q1 2019.

In more detail, **external costs** declined by 1.8% to 32.3 million euro compared to Q1 2019, thanks to a decrease in utilities and telecommunication expenses partly offset by an increase in external consultancy and professional services, related to international contracts of IDS AirNav and ENAV Asia Pacific, and higher costs related to the extraordinary sanitization activities performed on our sites from the beginning of the Covid-19 emergency.

Personnel costs decreased by 3.5% to 117 million euro compared to Q1 2019. In particular, the decrease was due to both a reduction of the ENAV Group's workforce – excluding IDS AirNav – with a headcount reduction of 70 employees in average and 4 employees in total compared to Q1 2019, and to a significant reduction in the variable wage-component, which decreased by 31.8% as an effect of initiatives enacted following the Covid-19 emergency, including a reduction in operating staff overtime pay and the usage of previous years' vacation balances.

These cost-efficiency initiatives, deployed on a background pressure on revenues, contributed to mitigate the impact on **EBITDA**, which came in at 28.9 million euro, with a reduction of 6.7%, and with an EBITDA margin of 16.8%. It is worth reminding that the first quarter of the year typically displays a lower EBITDA margin as a result of the weak

³ The mechanism that allows ENAV to recover from or return to carriers, the amounts resulting from the difference between the planned air traffic and the actual traffic, as well as the recovery of costs and traffic for services provided to Terminal Zone 3 airports – those with less than 70,000 movements per year.

seasonality effect in air traffic volumes and revenue, while costs display a linear progression.

The **EBIT** in the first quarter was negative for 3.2 million euro.

ENAV Group closed the first quarter of 2020 with a **consolidated net loss** of 6.2 million euro vs a net loss of 3.6 million euro in Q1 2019. The difference is also attributable to higher taxable income of the subsidiary Techno Sky. As previously noted, the first quarter is traditionally affected by weak seasonality, further impacted by the Covid-19 emergency.

The net financial position is positive, with a net cash position of 152.9 million euro, an improvement of 26.6 million euro compared to the figure recorded as of 31 December 2019, mainly due to the effect of the collection and payment dynamics related to the ordinary course of business and the investments in the period that has produced a positive cash flow. As of 31 March 2020, the available cash amounted to 478 million euro.

2020 Outlook

The ongoing uncertainty caused by the evolution of the Covid-19 pandemic and its impact on the Italian and global economies, and in particular on the aviation sector, makes it difficult to provide a reliable estimate of the expected results for 2020. The air transport sector – amongst the most severely impacted by crisis – is developing a set of initiatives aimed at stabilizing the effects of the crisis and provide for a gradual return to normal. Among the initiatives implemented to guarantee the survival of the system it is worth mentioning the agreement signed by Eurocontrol and the majority of its Member States, by which airlines are able to defer payments of air traffic control fees due for April-July 2020 (for traffic flown in February, March, April, and May 2020) to November 2020, February 2021, May 2021, and August 2021, respectively. The impact of this initiative on ENAV's cash flow for 2020 will be marginal, considering that the proceeds from the month of February, the last month of normal air traffic before the crisis, will be collected by the end of the year, while traffic volumes for March to May will be extremely limited. Despite the significant contraction in traffic volumes expected for this year, the partial traffic risk protection mechanism underlying the current European regulation applicable to the ANSPs, will allow ENAV to mitigate the effects of the crisis on its economic results for 2020, with net revenue expected to decline mid-single digit compared to 2019. At the same time, since March the Company has deployed a set of further cost-reduction initiatives to counterbalance the pressure on revenues, which will enable ENAV to limit the impact on 2020 net results to a high-single digit decline over 2019. ENAV's solid cash position and available credit lines amounting to 200 million euro, along with the other initiatives it has undertaken to preserve liquidity, among which, the above-mentioned cost-efficiency measures and the reprogramming of investments for approximately 40 million euro, will enable the Company to deal with this crisis in the best possible way, without any impact on its operations or on its staff.

CONSOLIDATED INCOME STATEMENT

	1st Quarter 2020	1st Quarter 2019	Amount	Change %
Revenues 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 revenues	171.616	178.474	(6.858)	-3,8%
Personnel costs	(117.041)	(121.288)	4.247	-3,5%
Capitalised costs	6.572	6.635	(63)	-0,9%
Other operating expenses	(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%	
Net amortisation of investment grants	(32.038)	(32.569)	531	-1,6%
Writedowns, impairment (reversal of impairment) and provisions	(58)	2	(60)	n.a.
EBIT	(3.230)	(1.621)	(1.609)	99,3%
EBIT margin	-1,9%	-0,9%	-1,0%	
Financial income/(expense)	(1.342)	(1.255)	(87)	6,9%
Income before taxes	(4.572)	(2.876)	(1.696)	59,0%
Income taxes	(1.634)	(687)	(947)	137,8%
Profit (loss) for the period	(6.206)	(3.563)	(2.643)	74,2%
Profit (loss) for the period pertaining to shareholders of the Parent Company	(6.148)	(3.553)	(2.595)	73,0%
Profit (loss) for the period pertaining to non-controlling interests	(58)	(10)	(48)	n.a.

(thousands of euros)

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.03.2020	31.12.2019	Amount	%
Property, plant and equipment	956.438	976.272	(19.834)	-2,0%
Right-of-use assets	8.297	8.857	(560)	-6,3%
Intangible assets	171.024	171.567	(543)	-0,3%
Investments in other entities	64.825	63.225	1.600	2,5%
Non-current trade receivables and payables	(2.387)	(39.804)	37.417	-94,0%
Other non-current assets and liabilities	(122.429)	(124.343)	1.914	-1,5%
Net non-current assets	1.075.768	1.055.774	19.994	1,9%
Inventories	61.111	60.690	421	0,7%
Trade receivables	173.426	213.321	(39.895)	-18,7%
Trade payables	(126.964)	(138.754)	11.790	-8,5%
Other current assets and liabilities	(139.485)	(115.855)	(23.630)	20,4%
Assets held for sale net of related liabilities	1.402	1.402	0	0,0%
Net working capital	(30.510)	20.804	(51.314)	-246,7%
Gross capital employed	1.045.258	1.076.578	(31.320)	-2,9%
Employee benefit provisions	(49.065)	(52.509)	3.444	-6,6%
Provisions for risks and charges	(1.778)	(1.778)	0	0,0%
Deferred tax assets net of liabilities	6.674	7.376	(702)	-9,5%
Net capital employed	1.001.089	1.029.667	(28.578)	-2,8%
Shareholders' equity pertaining to Parent Company shareholders	1.151.616	1.153.543	(1.927)	-0,2%
Shareholders' equity pertaining to non-controlling interests	2.442	2.500	(58)	-2,3%
Shareholders' equity	1.154.058	1.156.043	(1.985)	-0,2%
Net financial position	(152.969)	(126.376)	(26.593)	21,0%
Funding of net capital employed	1.001.089	1.029.667	(28.578)	-2,8%

(thousands of euros)

The manager in charge of compiling the company's accounting documents, Loredana Bottiglieri hereby declares, pursuant to art. 154-bis, par. 2, of the Consolidated Act on Finance, that the accounting information contained in this release tallies with the information set forth in the company's accounting documents, books and records.

The Interim Financial Report at 31 March 2020 does not represent interim financial statements prepared in accordance with international accounting standard IAS 34, and has not been audited by the independent auditors. The consolidation principles used to prepare the Interim Report on Operations at 31 March 2020 conform to those used to prepare the Consolidated Financial Statements at 31 December 2019, approved on 12 March 2020.

The Interim Financial Report at 31 March 2020 is available on the company web site www.enav.it - "Investor Relations" – "Financial Statements & Reports" and on the authorized storage system "Info" (www.info.it).

Alternative performance indicators

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): is an indicator of profit before the effects of financial management and taxation, as well as depreciation, amortisation and write-downs on fixed assets and receivables and provisions, adjusted for investment subsidies directly related to the investments in depreciation and amortisation to which they refer;

EBITDA margin: is EBITDA expressed as a percentage of total revenues and adjusted for investment subsidies as specified above;

EBIT (Earnings Before Interest and Taxes): is EBITDA less depreciation and amortisation adjusted for investment subsidies and write-downs of fixed assets and receivables and provisions;

EBIT margin: is EBIT expressed as a percentage of total revenues less investment subsidies as specified above;

Net fixed capital: is a capital parameter which is equal to the net fixed capital employed in business operations and includes items relating to tangible assets, intangible assets, investment in other companies, non-current trade receivables and payables, and other non-current assets and liabilities;

Net working capital: is the capital employed in business operations which includes the line items inventory, trade receivables, and other non-financial current assets, net of trade payables and other current liabilities excluding those of a financial nature, plus assets held for disposal net of related liabilities;

Gross net fixed capital: is the sum of Net fixed capital and Net working capital;

Net invested capital: is the sum of the Gross net fixed capital, less the employee severance indemnity and other benefits, the provision for risks and charges and the deferred tax assets net of liabilities;

Net financial position: is the sum of the current and non-current financial debt, current financial receivables net of non-current financial liabilities referred to the fair value of the derivative financial instruments and cash and cash equivalents;

Free cash flow: is the sum of the cash flow generated or absorbed.

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