

Proposal of 2021 charges

August 2020

- **2021 Charges: Key Issues**

- Costs per Aircraft
- Allowed Costs and Parameters of Regulated Charges
- Background Information on ADR-ENAC Economic Regulation Agreement

Regulated Airport Charges Update for 2021

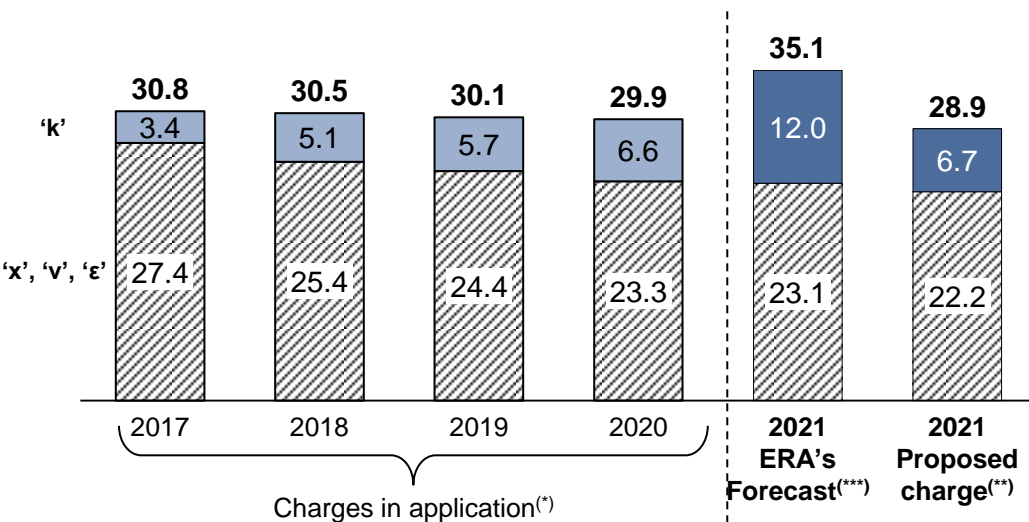
- 2021 represents the fifth and last year of the current regulatory period (2017-21) and the annual update of the regulated charges is part of the 5-yr tariff evolution calculated *ex-ante* in 2016 and by then represented to users in consultation. Article 22 of the Economic Regulation Agreement («ERA») sets in 5 years the duration of the periods between reviews of the tariff parameters.
- The abovesaid *ex-ante* evolution foresaw a significant rise of the average FCO charges (2017: 30.8 €/pax, 2021: 35.1 €/pax with a 3.3% CAGR) due to the planned investments. Specifically for 2021, the consideration by then was 35.1 €/pax.
- FCO's charges update for 2021 now in consultation highlights ADR's effort aimed at optimizing the investment plan for spending and timing in consideration of the market demand. Adding to this, considerations apply relating to the health emergency which has led to the temporary suspension of construction works and further delays to the authorization procedures for the planned expansion which have reduced the level of investments compared to the planned amounts. This results in a lower value of the «k»⁽¹⁾ parameter, which accounts for the largest part of a reduction of the average charge (6.2 €/pax below the ERA's forecasts for 2021).
- With particular reference to the health emergency, the continuous re-forecasting activity that ADR carries out on the capex interventions relating to maintenance, restructuring and ICT (for both FCO and CIA) is aimed at guaranteeing the high quality standards achieved, in a context of utmost attention to operational needs and to the efficiency of spending.
- For the abovesaid reasons, the investment plan being implemented leads to predict that in 2017-21 ADR may remain - albeit marginally - below the value expected in the five-year investment plan as approved by ENAC (update of annex 4 to the ERA), , largely due to the forced slowdown of the current year which can only be partially recovered during 2021.
- More details on the implementation of the investment plan and comparisons with the forecasts of 2017-21 ERA are available in other documents published for the start of the consultation and in particular in the "Annual Information Document", chapter "g." ("Update of the investment schedule") and in document titled "Progress of investment plan".

Regulated Airport Charges Update for 2021

- As usual, the main elements included in the users' information set are the proposal to update airport charges for the services subject to economic regulation (represented in this document and detailed in annex 9 of the ERA) and the progress of the investment plan, with particular reference to the value expected for full year 2020 which impacts on the "k" component of the proposal and which in the current year is obviously impacted by the health emergency.
- The forecast of 2020 investment expenditure is lower than originally reported in the 2017-21 plan prepared in 2016 for the ERA review, also due to the prolongation of the authorization process for some works and due to ongoing optimizations / rescheduling to the traffic scenario and to the operational requirements for carrying out the works.
- The rest of the information set made available to the users with the start of the consultation process concerns the monitoring of quality and environmental protection indicators (annex 10 of the ERA) which together constitute the "ε" component of the proposed charges. In consideration of the health emergency, ADR has taken steps to suspend the surveys by promptly informing ENAC. In the period during which the surveys were active (July 2019 - March 2020), the results achieved would have led to the recognition of the maximum reward (ie. uplift to regulated charges). ADR intends instead to opt for the deferral to subsequent years of the application of the aforementioned uplift (in Fiumicino the impact on the average charge as represented can be calculated in approx. -0.15 €/pax).
- For Fiumicino, the average charge proposal for 2021 is lower than both the level envisaged in the 2017-21 *ex-ante* dynamic of ERA and that anticipated in the consultation of last year (see what was then represented in this same document – «2020 Airport Charges: Proposal» – on page 3). Furthermore, compared to what is currently applied, the average charge is expected to decrease by approx. -3.4%. Since start of current 5-yr period (2017) the average charge of FCO is down by approx. 2 €/pax or 6.5%.
- The 2021 average charge for the commercial aviation of Ciampino is also decreasing compared to both ERA's *ex-ante* forecasts and what is in application in the current year. Since start of current 5-yr period (2017) the average charge of CIA is down by approx. 1.2 €/pax or 8%.

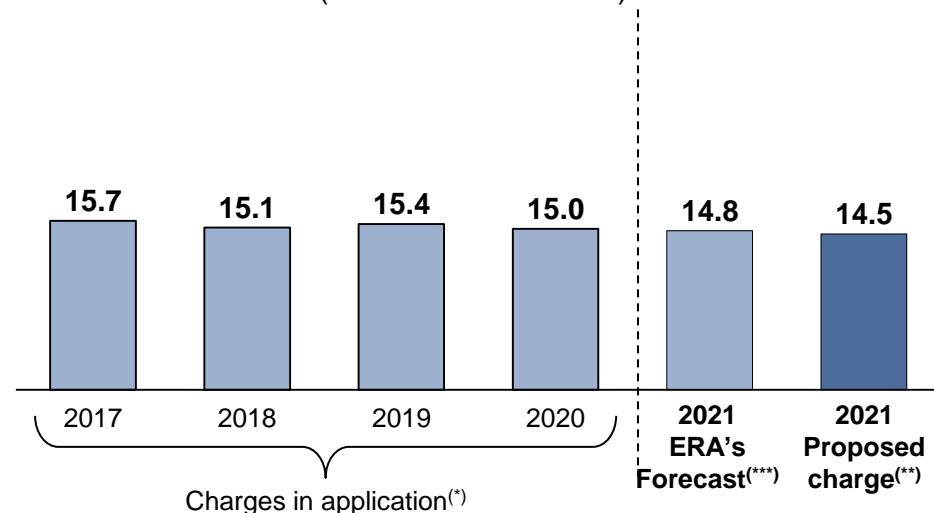
Regulated Airport Charges for 2021: Fiumicino and Ciampino

FCO avg charge (€/paying pax)



CIA avg charge (€/paying pax)

(Commercial aviation)



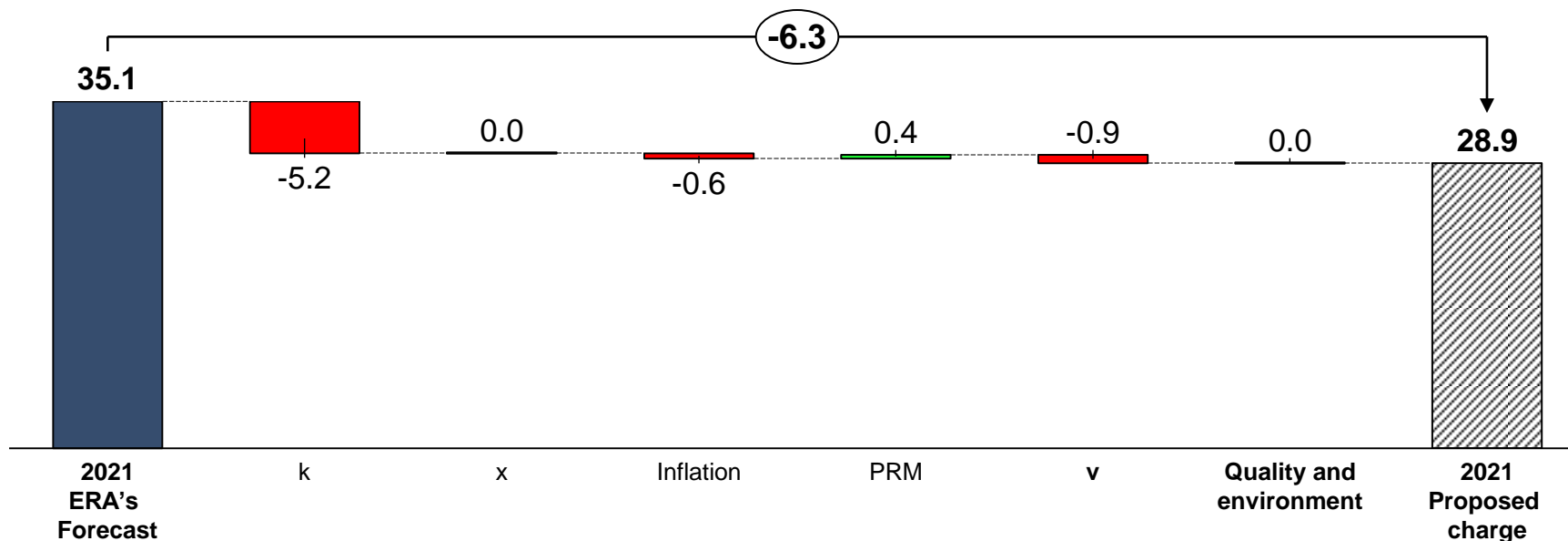
The update of 2021 charges of FCO and CIA FCO hinges on: (i.) deployment of ADR's capex plan according to latest available estimate for year-end balance and (ii.) updating of inflation in price-cap formula (-0.2% instead of +1.5% of ERA *ex-ante*), (iii.) deferral to future years of the application of the quality and environment premium for reasons related to the health emergency; (iv.) update of the PRM charge(**) inclusive of estimated deficit recovery for 2020

FCO's avg unit charge proposed for 2021 stands at **28,9 €/pax** resulting in reduction worth -1,0 €/pax relative to currently applied charges and worth -6.3 €/pax relative to ERA's *ex-ante* forecasts for same year****) (-3.4% e -17.8%, respectively)

CIA's (commercial aviation) avg unit charge proposed for 2021 stands at **14.5 €/pax** down by -0.5 €/pax relative to currently applied charges and down by -0.3 €/pax relative to ERA's *ex-ante* forecast for same year****) (-3.3% e -2.2%, respectively)

FCO: 2021 charges update vs ERA's forecasts

2021 FCO vs 2021 in ERA forecasts (€/paying pax)

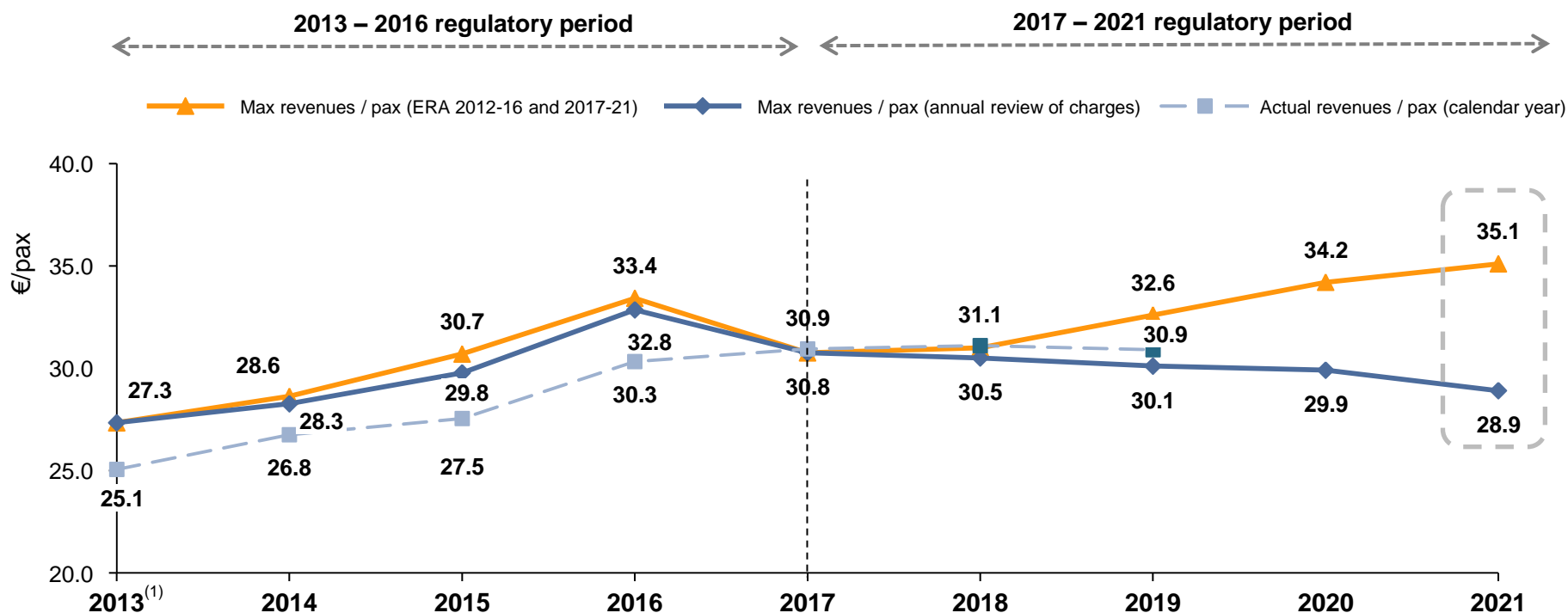


Relative to 2017-21 ERA's fcst for 2021, ADR's proposal for next year shows a lower avg regulated unit charge by 6.3 €/pax. This is due to:

- ✓ lower "k" component worth -5.2 €/pax, reflecting a difference between actual and fcst capex (as approved by ENAC) and a difference between actual and fcst opex on selected infrastructures
- ✓ updating of inflation component in the price-cap formula, worth -0.6 €/pax (was 1.5% in ERA for 2017-21, but ADR adjusts it for yearly updates, hence down to -0.2% as from the latest estimate included in the govt's «DEF»^(*) of last April)
- ✓ increase in PRM unit charge of +0.4 €/pax mainly to allow the recovery of the significant estimated loss on the service for the current year (see our presentation "PRM charge proposal" for 2021)
- ✓ change in "v" component worth -0.9 €/pax mainly due to: (i.) adjustment for the reduction of allowed costs carried out by ENAC in the context of the detailed monitoring of the investment plan (pursuant to art. 37bis of the ERA); (ii.) extraordinary charges related to the airport management of Covid-19

(*) Documento economia e finanza, April 2020

FCO 2013-2021: allowable revenue per pax vs ERA's forecasts

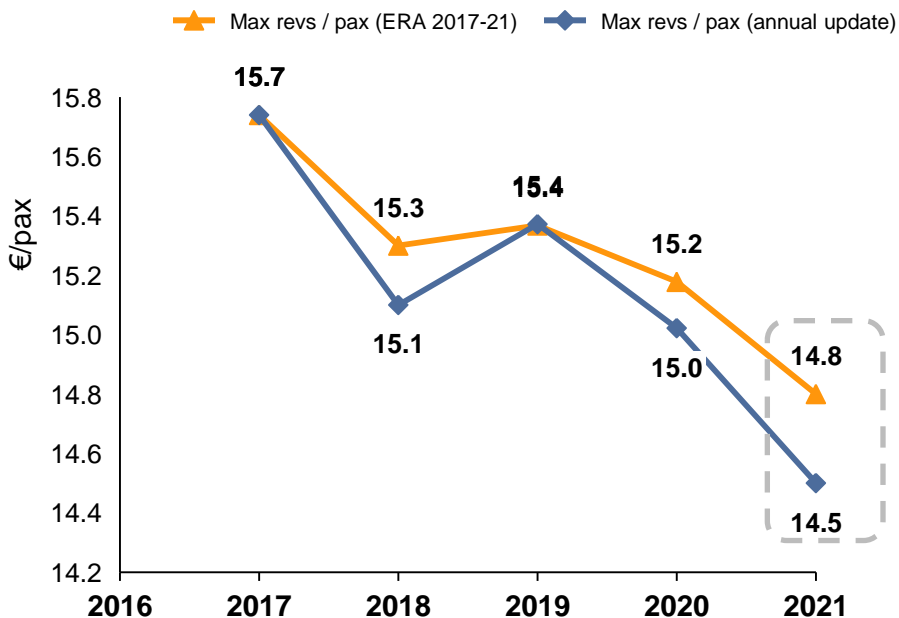


- Looking at two regulatory periods (2013-21), the avg unit charge for regulated services of FCO (max allowed revenues / paying pax) has grown at a CAGR of 0.7% (from 27.3 €/pax to 28.9 €/pax). This is in spite of the significant investments in higher capacity (+7 million pax p.a. capacity in the period) and much enhanced quality of service (ACI «Overall Satisfaction Index» from 3.31 to 4.47, ie. from worst to best result of the panel in the period)
- In 2017-21 the avg unit charge at FCO is down by approx. 2 €/pax, or -1.3% per year
- Also tracked in this page's chart, actual revenues / pax in each year reflect some price reductions on minor services (in particular rent of office spaces in regulated areas) and traffic mix/volumes that differ from ERA estimates and consistently show a level that is below/in line relative to yearly updated charges (as in yearly charges proposal)

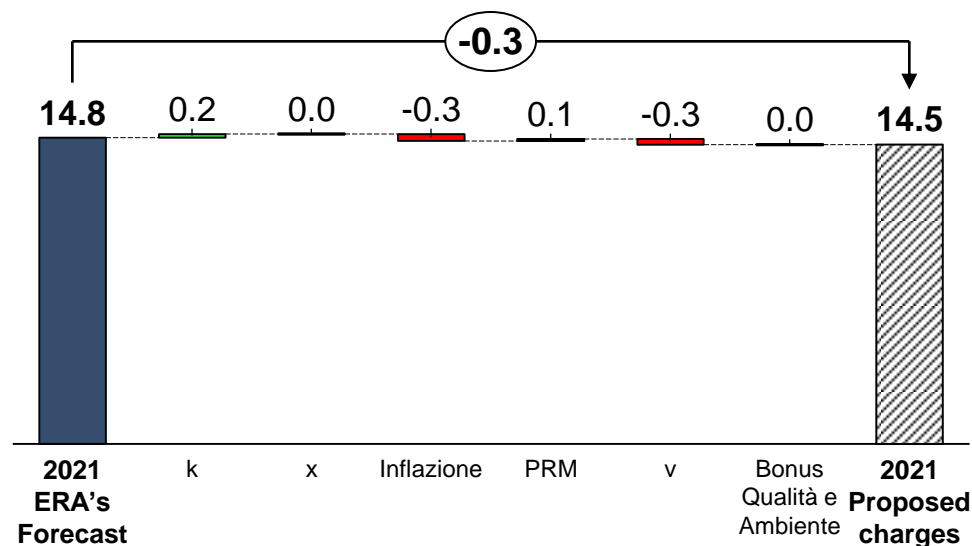
(*) the average charge for 2013 recorded in the calendar year is affected by two months (January, February) in absence of application of the ERA

CIA: 2020 charges update vs ERA's forecasts

CIA (CA) 2021 vs 2017-2020 (€/paying pax)



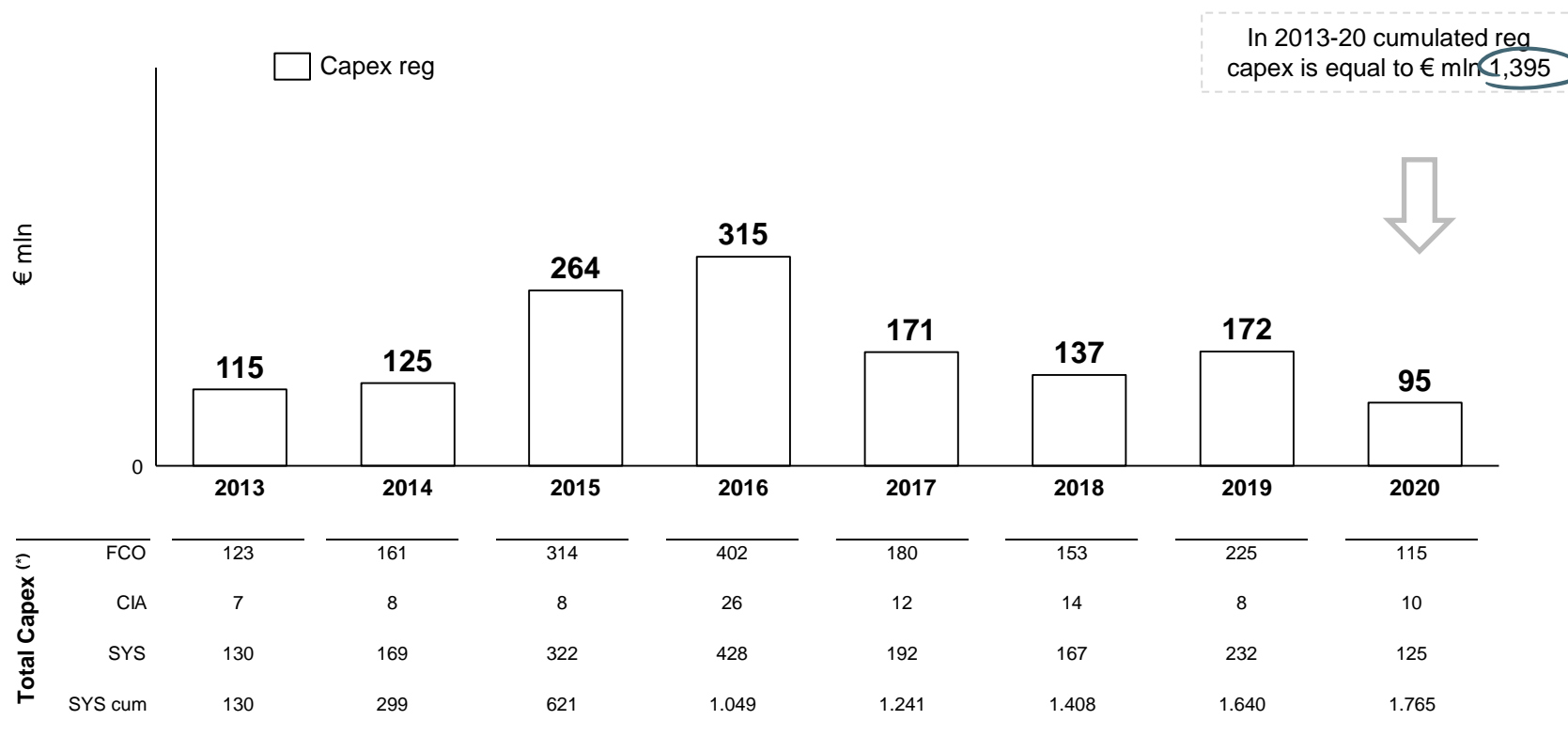
2021 CIA (AC) vs 2021 in ERA (€/paying pax)



- At CIA for Commercial Aviation (shown), 2021 avg regulated unit charge in consultation equals **14.5 €/pax** and is in reduction compared to: (i) forecasts for the same year in ERA (**-0.3 €/pax**) and (ii) avg charge in application in 2020 (**-0.5 €/pax**)
- In the 5-yr period in chart avg unit charge is down -2.0% per year (CAGR), from 15.7 €/pax in 2017 to 14.5 €/pax in 2021
- In 2017 – at the start of ERA's II 5-yr period – a new specific tariff structure was introduced for “general aviation” – not represented in the graph – in order to allow for a more accurate correlation to the specific costs of these users (pls see update of annex 9 to ERA for more and pages of this documents dedicated to costs per aircraft)

Investments in 2013-2020

Rome system (FCO + CIA): total capex and capex to regulated services (2013-2020)



- In 2013-2020 total investments (FCO+CIA) are expected to end equal to 1.77 € bln, of which 65% in 2016-2020, with a significant weight in 2016 for the completion works of Pier E and correlated infrastructures
- In 2013-2020 investments allocated to reg services are to be equal to 1.4 € bln (of which 0.9 € bln in 2016-2020)

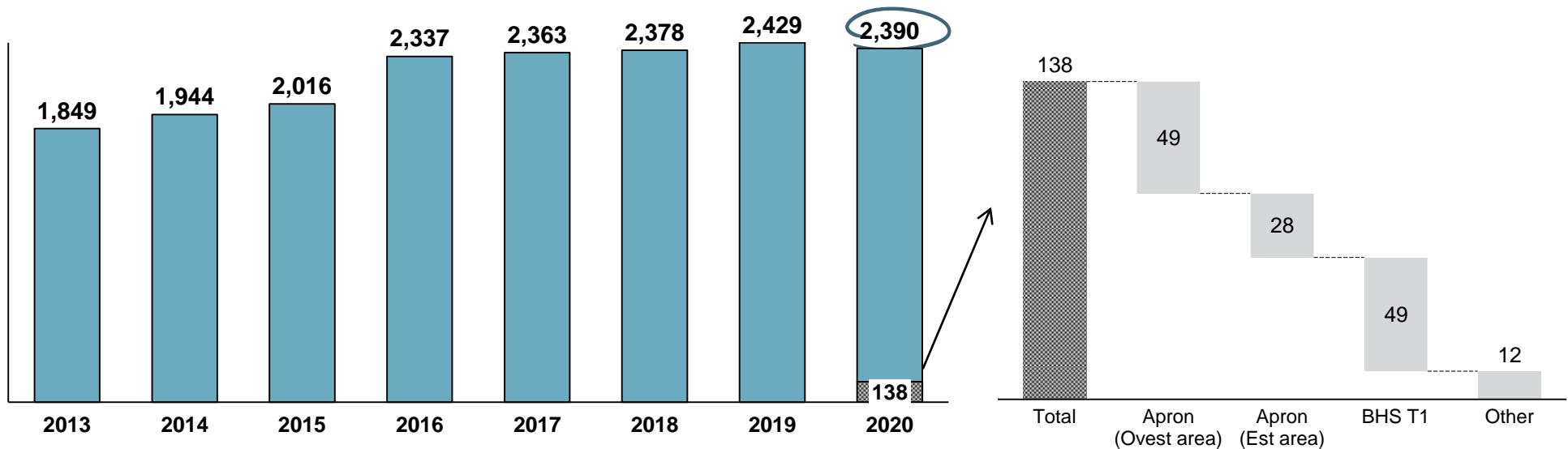
RAB in 2013-2020

RAB(*) SYS 2013-2020

RAB subject to incremental WaCC(**)

■ RAB ■ RAB subject to incremental wacc

€ mln

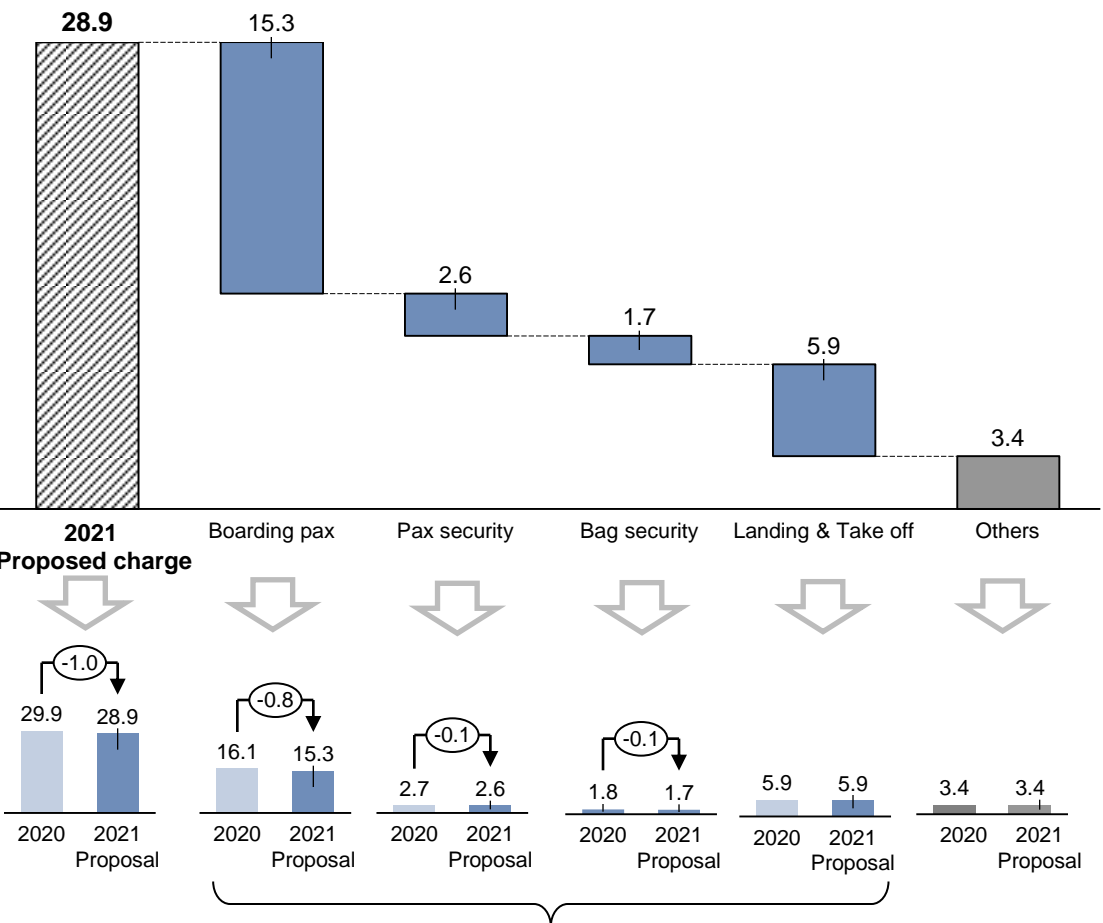


- At the end of 2020 the value of ADR's RAB is estimated at 2.39 € bln (at the beginning of 2013 – ERA start – ADR's RAB was 1.80 € bln, values at the airport system) for a +3.3% yearly increase (CAGR)
- At the end of 2020 the unfolding of the investment plan will have determined a portion of RAB (0.14 € bln or 5.8% of the total) that will benefit from the consideration of an incremental WaCC due to the high strategic value of the related projects

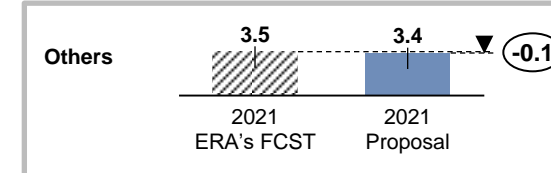
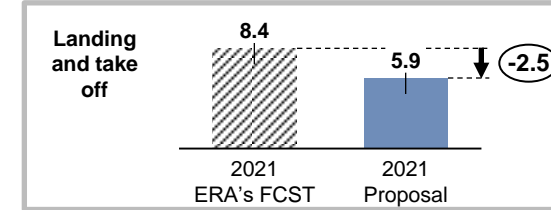
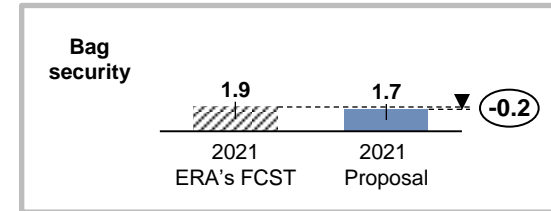
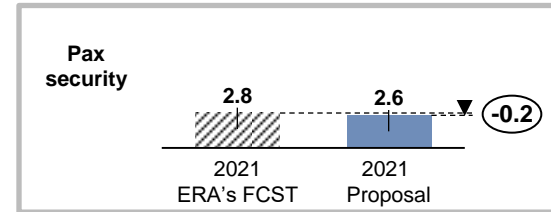
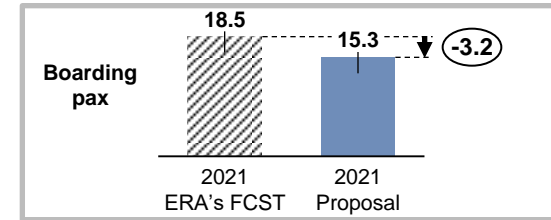
FCO regulated charges update: breakdown

2021 reg. charges update (€/paying pax)

2021 reg. charges update vs 2021 ERA's fcst (€/paying pax)



Main services' charges show reduction relative to currently applied level



«V» parameter: allowable items and COVID-19 focus

Since the declaration of the national state of emergency by the Council of Ministers, ADR has collaborated with the institutions (Ministry of Health, Civil Protection Department, ENAC and MIT) to implement actions aimed at containing the spread of the Covid-19 virus. The following table shows the values of the costs admitted to "v" in compliance with art. 37 of the ERA and their impact on the average unit charge. The following pages provide more details on the sub-set relating to Covid-19.

	FCO		CIA	
	2021 ERA € mln	Update(*) for 2021 € mln	2021 ERA € mln	Update(*) for 2021 € mln
Fire Brigade fund	7.5	6.7	1.1	0.9
Capex Covid-19	-	0.3	-	-
Opex Covid-19	-	2.9	-	0.2
Adjustment on former yrs(**)	-	(5.7)	(0.9)	(0.9)
Electricity distribution (ARERA)	-	(1.7)	-	(0.1)
Total	7.5	2.5	0.2	0.1

Tariff impact
0.01 €cent

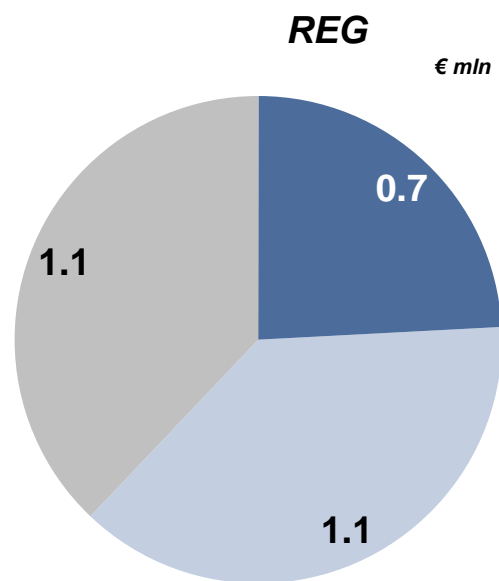
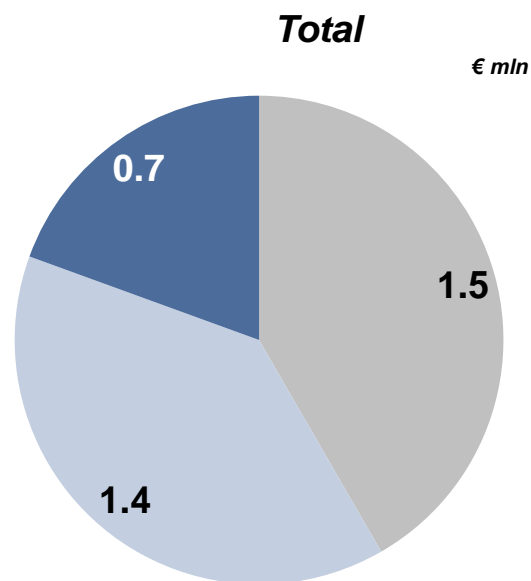
Tariff impact
0.13 €cent

Tariff impact
0,08 €cent

In particular, to ensure the health safety of passengers and staff employed at the airport, in 2020 ADR estimates to incur costs worth € 2.9 million^(***) relating to regulated activities. This type of expenditure falls within the provisions of art. 37.1 of the ERA and becomes part of parameter "v", contributing to determine the amount of the "adjustment of previous years".

Finally, during 2020, ADR supported investments deriving from the health emergency for an amount equal to € 1.1 million attributable to regulated activities. This case falls within the provisions of art. 37.2 of the ERA (allowances for parameter "v"), with consequent impact in the charges for the year following that of accrual (proposal for 2021 charges), limited to the portion relating to depreciation and remuneration of the investment for an amount equal to € 0.3 million.

«V» parameter: COVID-19 focus (opex)



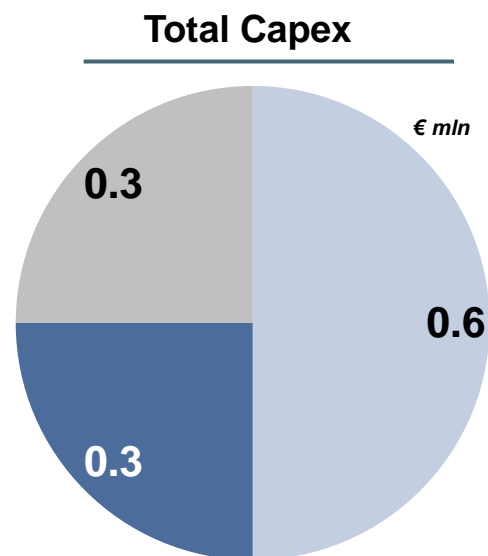
- Contracts:** mainly with Red Cross (thermoscanner supervision) and with companies specialized in environment sanitizing

- Personnel:** employed for sanitation and management of facilities at airport accesses modified following the health emergency

- Raw materials:** consumables (protective masks, sanitizing gel and others)

Cost	€ mln	TOT	REG	NO REG
Raw materials		0.7	0.7	-
Maintenance		0.1	0.1	-
Cleaning		0.9	0.8	0.1
Third party services		0.3	-	0.3
General		0.1	0.1	-
Labour costs		1.4	1.1	0.3
Leasing & rentals		0.1	0.1	-
Totale		3.6	2.9	0.7

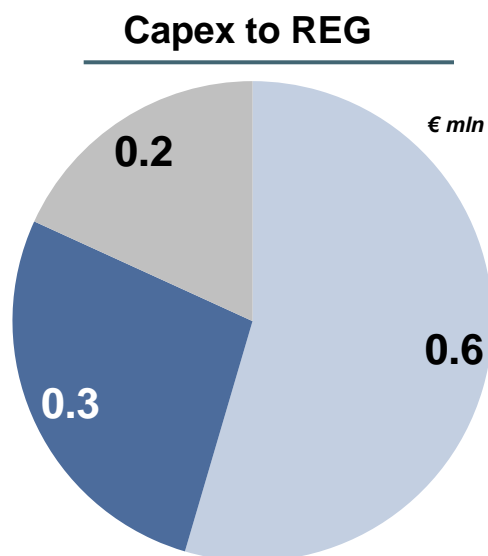
«V» parameter: COVID-19 focus (capex)



Infrastructure: box for passport control, predisposition on air conditioning systems and data connection network

Temperature detection: check-points (approx. 90) for detecting temperature of passengers in the terminal (thermal imaging cameras and thermal scanning “totems”)

Pax routes, signage and communication social distancing: signage new paths and communication behavior of social distancing



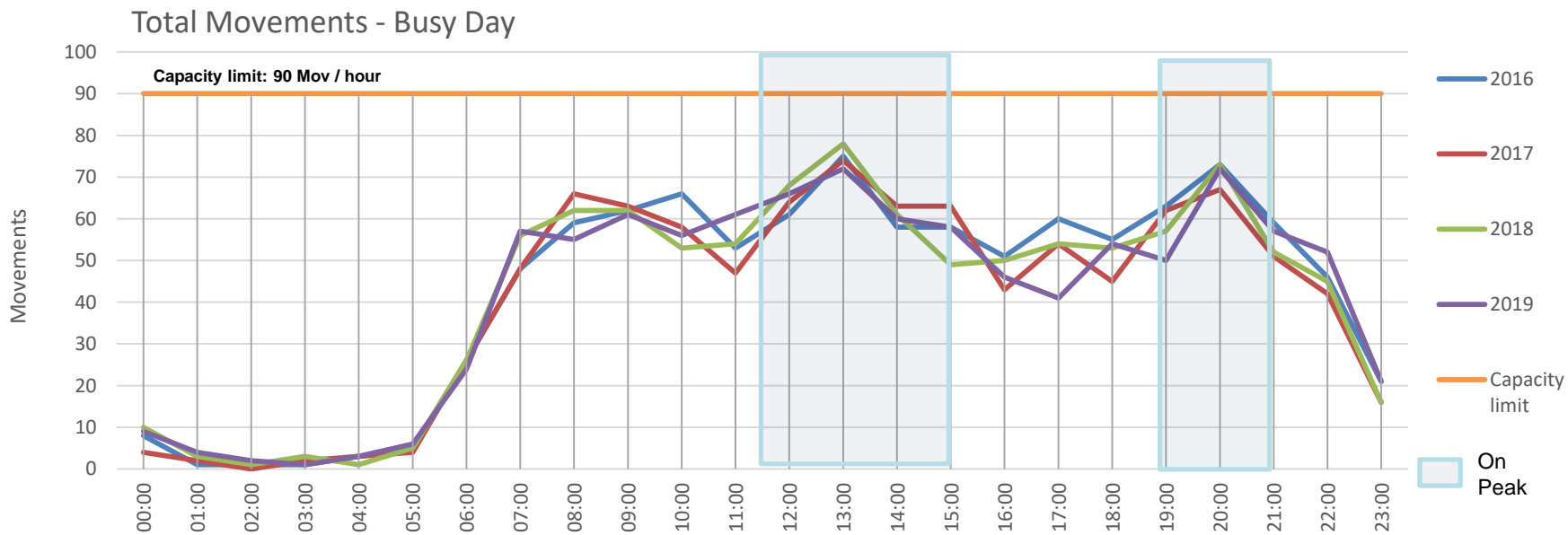
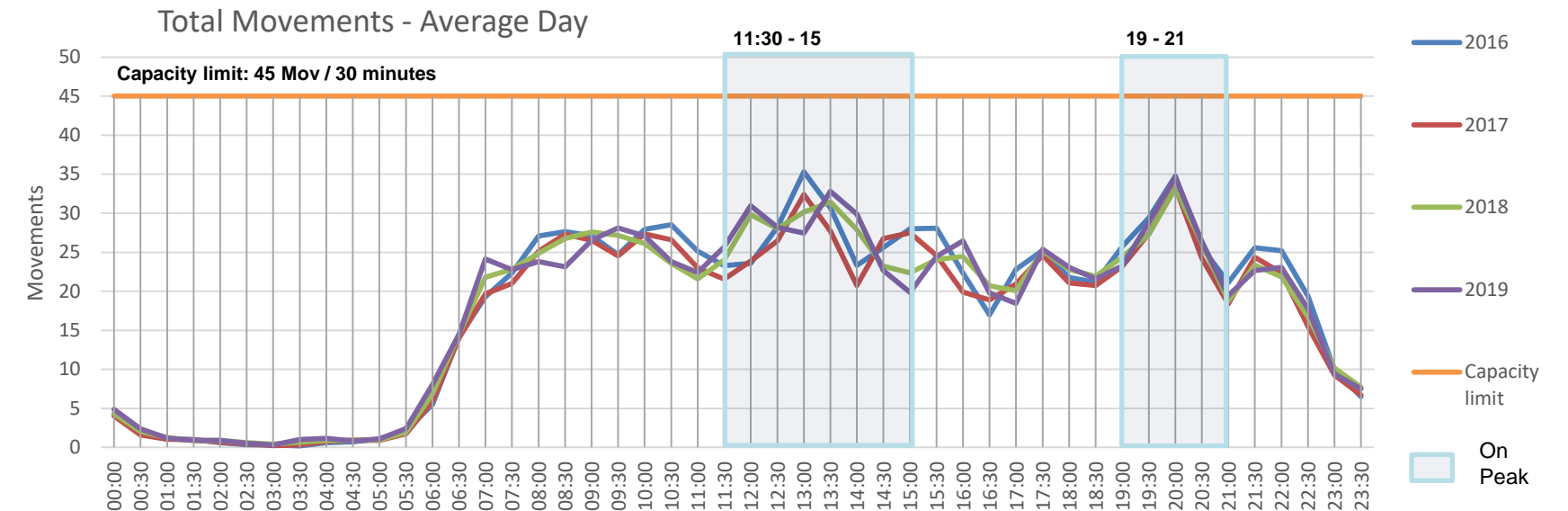
Focus: «peak / off-peak» charges

- As provided for by article 25 of ADR's ERA, in the fifth year of a regulatory period the airport manager can submit to users changes to articulation of service charges and ADR decided to propose foregoing the peak / off-peak differences (articulation) in landing/take-off and use of loading bridges
- Peak tariffs have been applied onto Fiumicino landing-take off and loading bridge services since 2013, with the aim of optimizing the airport capacity, encouraging slot usage away from peaks (one of the rare examples around EU of such an application)
- From 2013 to 2016 peak tariffs were applied at 7:00-11:00am and 6:00-10:00pm, whilst – following disclosure in 2016 consultation – in 2017-2020 peak tariff hours have been at 11:30am-3:00pm and 7:00-9:00pm
- Peak / off-peak pricing difference in landing/take-off has always been equal to 35% and accounted – on average – for around 6% of a turnaround's overall costs at FCO (includes loading bridge impact)
- In next pages we show the average daily movements and movements in “busy day”^(*) at Fiumicino (January 2016 to September 2019): evidence in tables shows that in the period 2016-2019 percentage peak usage has not changed significantly (since 2013 it has remained within a 37-39% range), leading to ADR's decision to forego differentiation
- The main causes of the limited effect of peak pricing could be found in regulatory/market dynamics:
 - In off-peak hours, on a EU flight airlines have **limited economic benefits** at 6% overall cost difference on a turnaround (or EUR 1.8 / pax)
 - This has to be seen in the light of rigid regulations that inhibit service baskets/bundling

^(*) IATA defines the busy day as the second busiest day in an average week during the peaking month

Focus: peak and off-peak

Service: Landing & Take-off

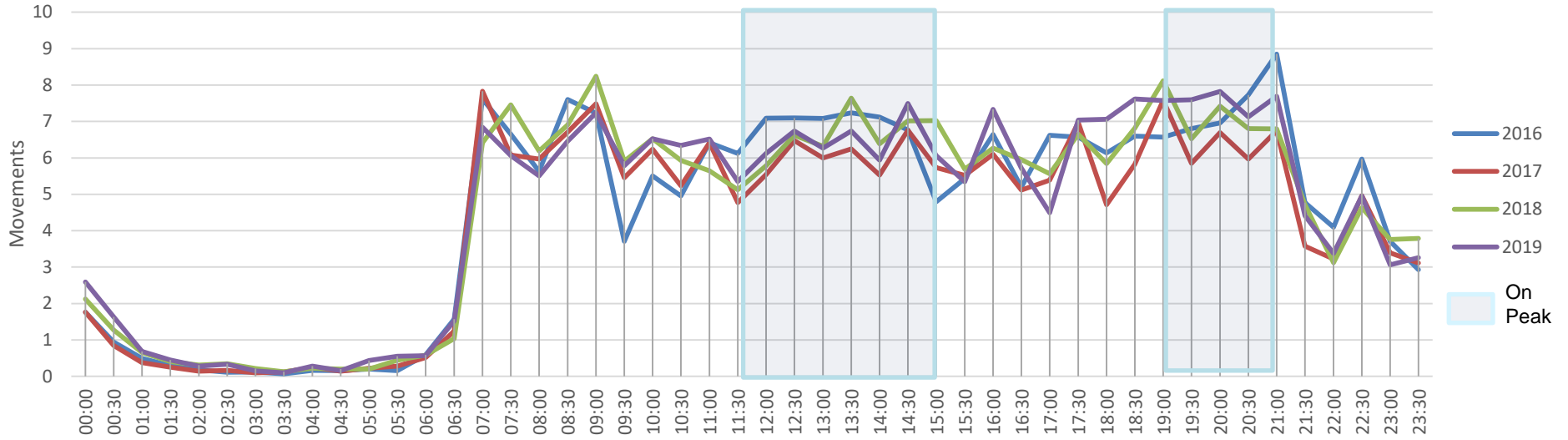


Focus: peak and off-peak

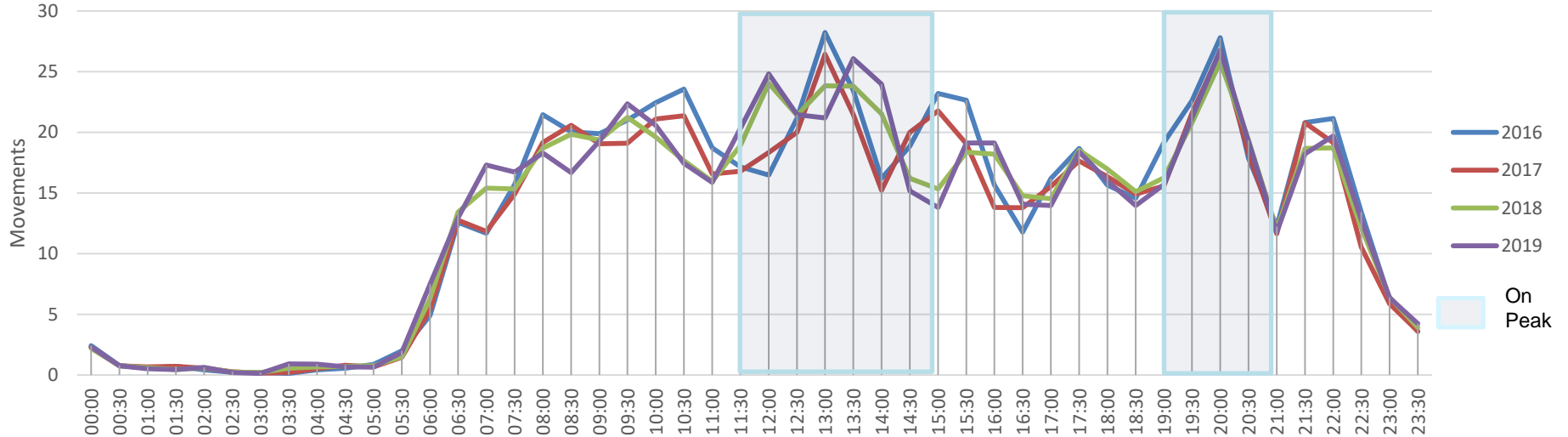
Service: Landing & Take-off



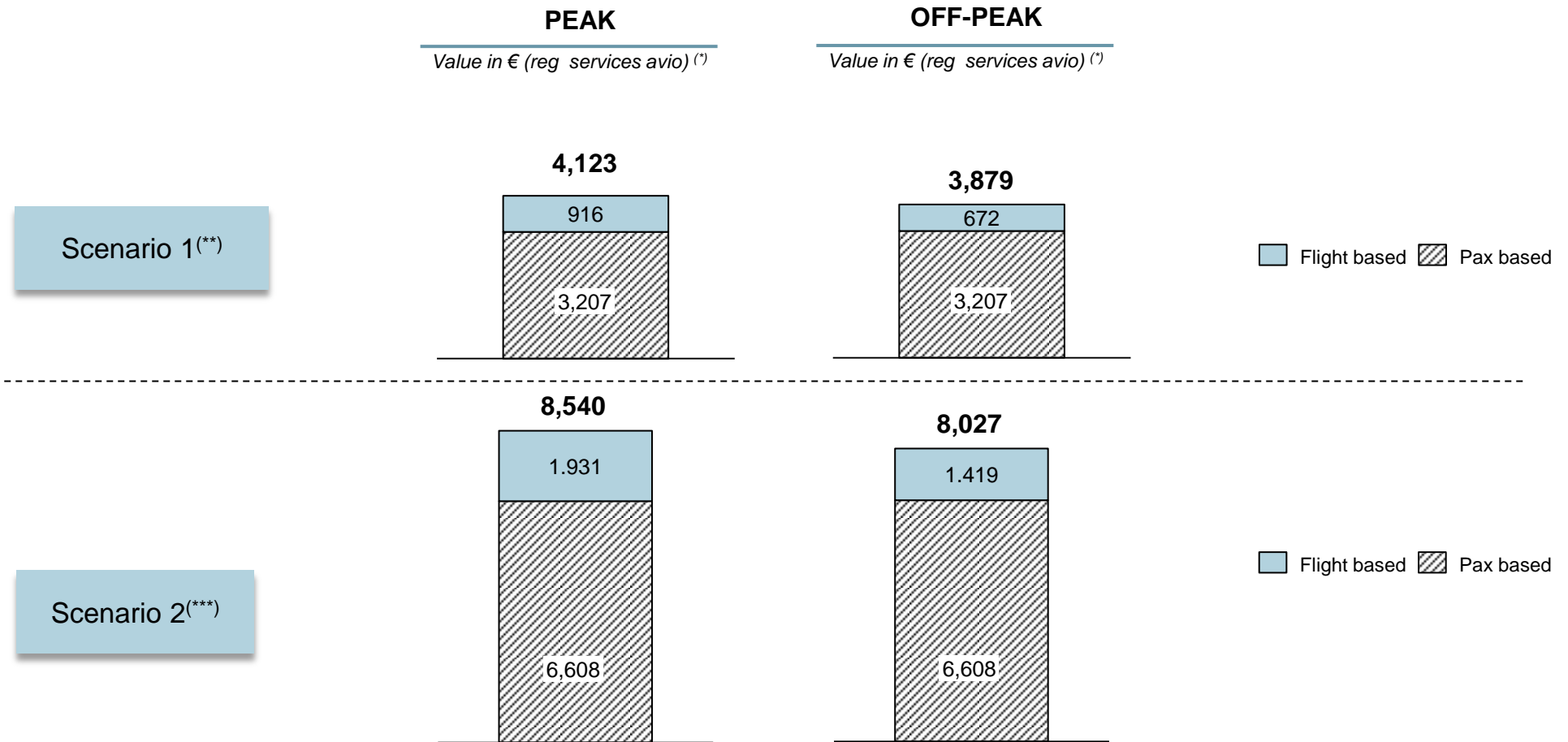
Total Movements – Low Cost Carriers - Average Day



Total Movements - Other Carriers - Average Day



FCO: aircraft costs in 2020



In the displayed cases peak pricing has generated a (low) **6% increase** of the overall turnaround cost

(*) excludes check-in desk and parking

(**) Scenario 1: **A320**, 74 Mtow, 79% LoadFactor (136 pax), usage of Loading Bridge, 100% Originating, UE

(***) Scenario 2: **A330**, 231 Mtow, 75% LoadFactor (194 pax), usage of Loading Bridge, 100% Originating, Extra-UE

- 2021 Charges: Key Issues

- **Costs per Aircraft**

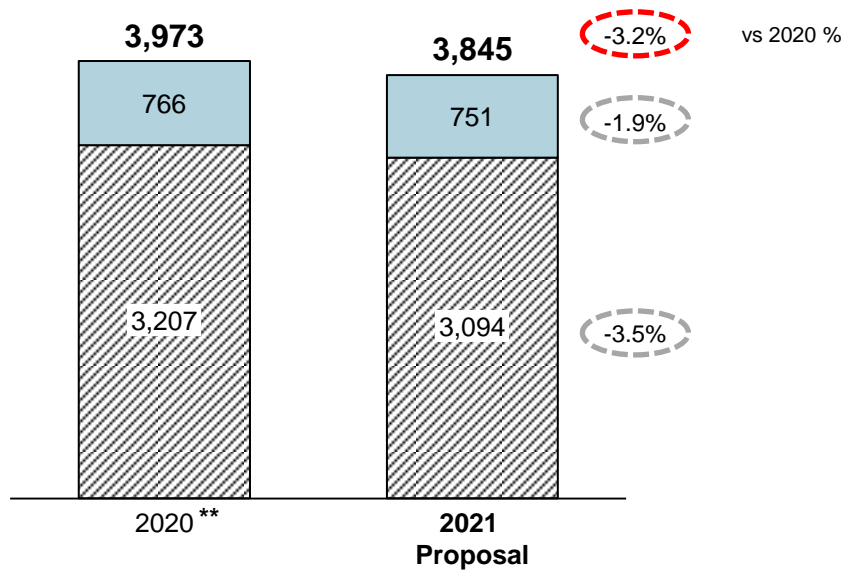
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FCO: aircraft scenario

UE aircraft A320, 74 Mtow, 79% LoadFactor (136 pax)

Value in € (reg services avio) (*)

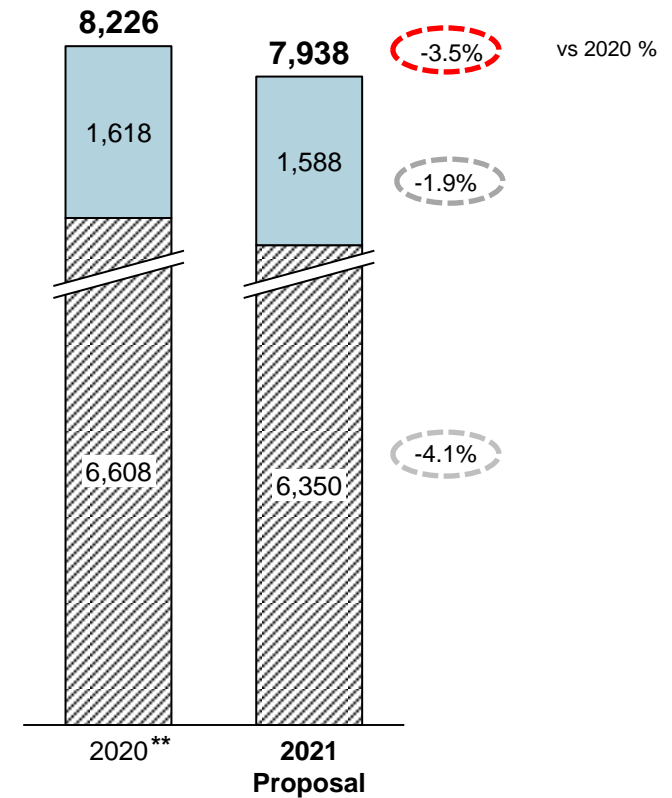
Flight based Pax based



Extra-UE aircraft A332, 231 Mtow, 75% LoadFactor (194 pax)

Value in € (reg services avio) (*)

Flight based Pax based



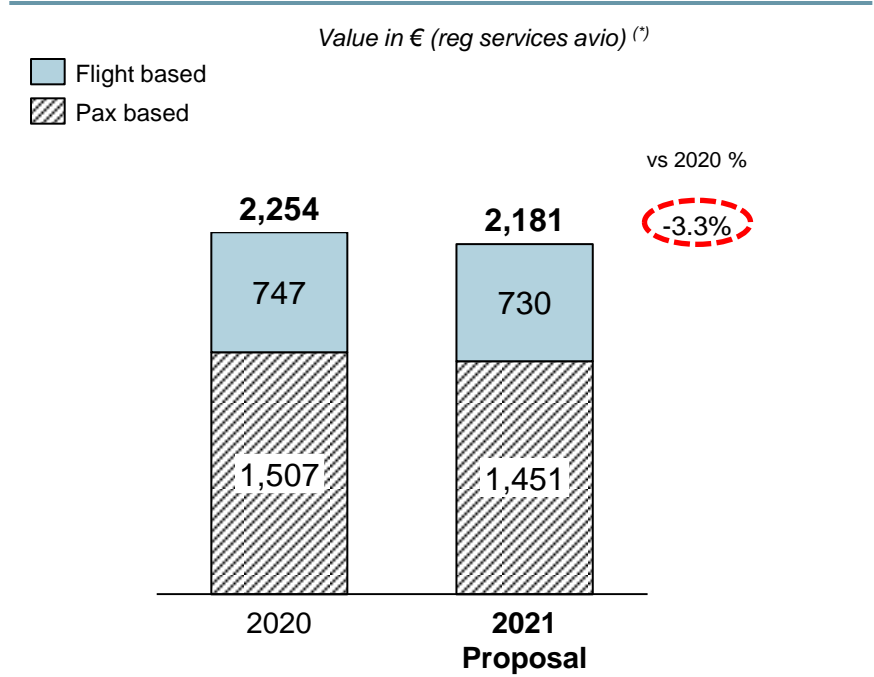
(*) parking and check-in desks are excluded, use of loading bridge is included

(**) for 2020 movement cost has been recalculated as weighted avg of peak and off-peak

CIA (Commercial aviation): aircraft scenario

Hp Boeing 737, UE flight, 67 Mtow, 85% LoadFactor (161 pax)

«Boeing 737»



(*) parking and check-in desks are excluded, use of loading bridge is included

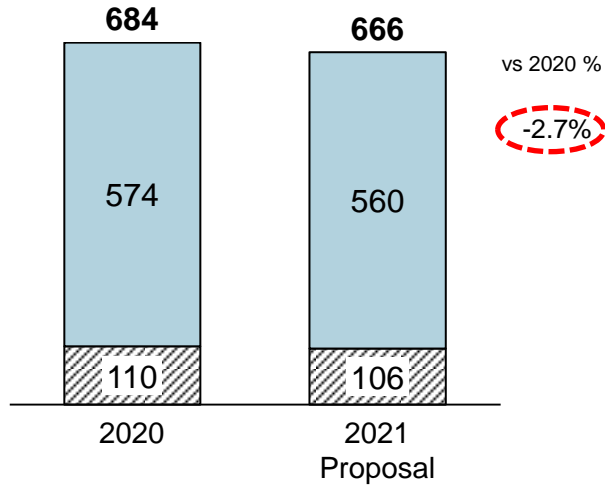
CIA (General Aviation): aircraft scenario, UE

«Dassault Falcon 900»

(Hp 20 MTOW and 2 pax on board)

Value in € (reg services avio) (*)

Flight based
Pax based

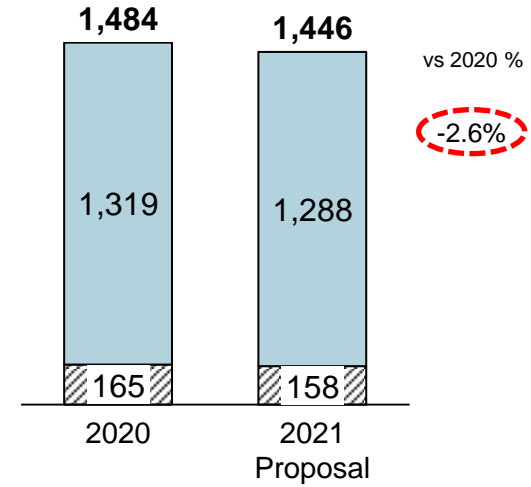


«Gulfstream Aerospace V (G550)»

(Hp: 40 MTOW and 3 pax on board)

Value in € (reg services avio) (*)

Flight based
Pax based



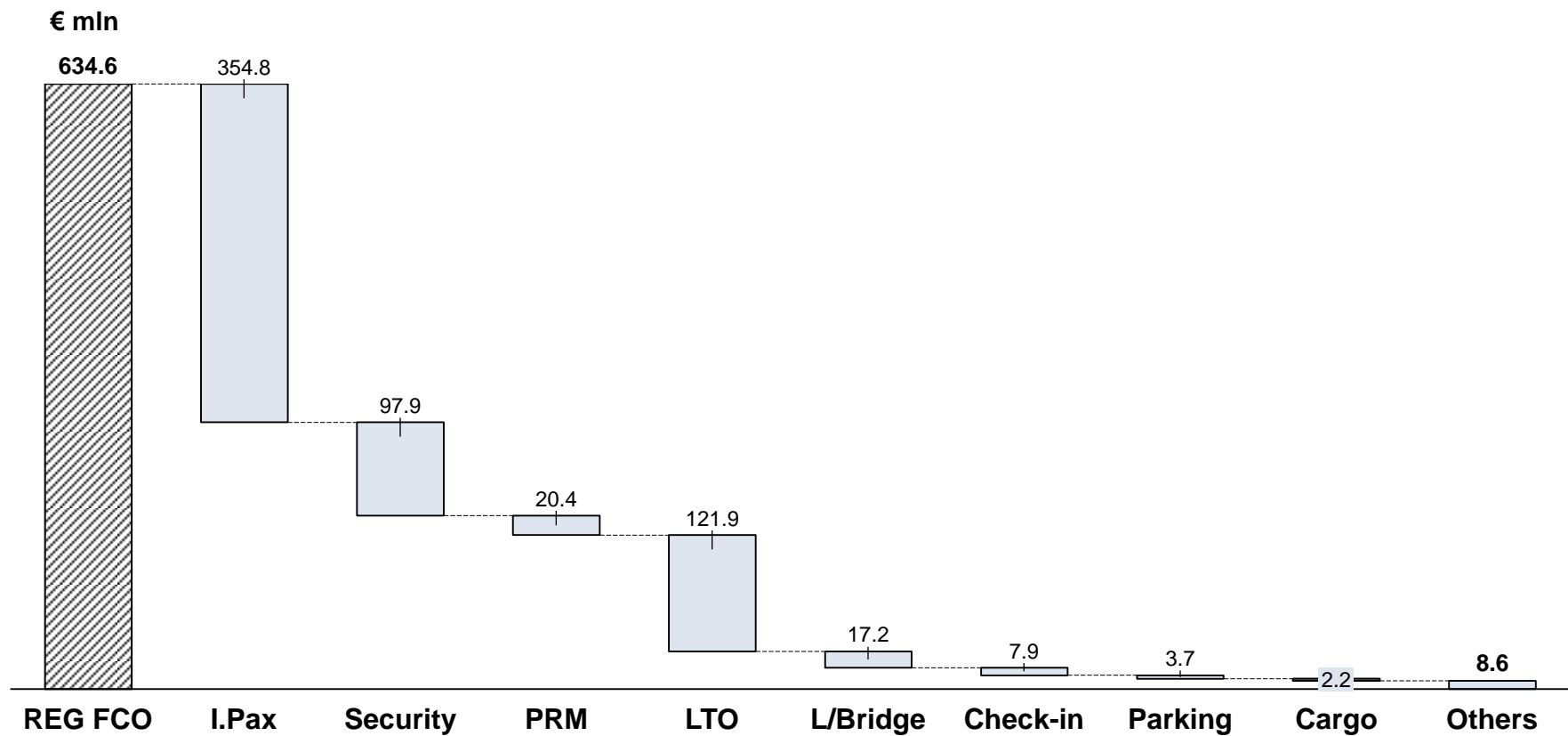
(*) parking excluded

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Revenue breakdown 2019-2018

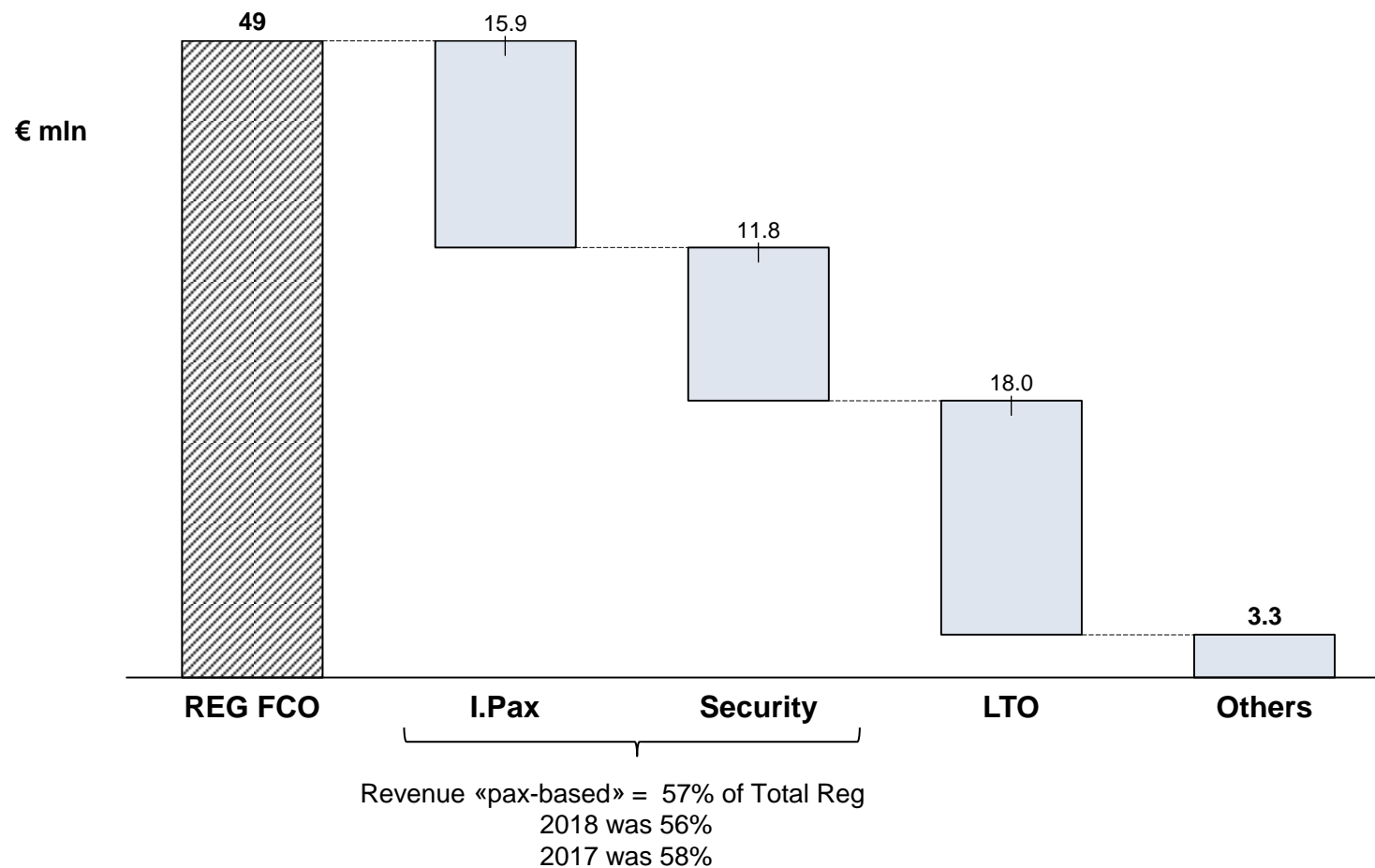
	VALUE IN €/000				FIUMICINO				CIAMPINO				ROME AIRPORT SYSTEM			
	2019	2018	Δ	Δ%	2019	2018	Δ	Δ%	2019	2018	Δ	Δ%	2019	2018	Δ	Δ%
Landing/take off	121,886	117,971	3,915	3%	18,094	18,369	-276	-2%	139,979	136,340	3,639	3%				
Aircraft parking	3,665	3,365	300	9%	885	533	352	66%	4,550	3,898	652	17%				
Passenger boarding	354,797	354,790	7	0%	15,964	15,826	137	1%	370,760	370,616	144	0%				
Cargo Embarkation / Disembarkation	2,201	2,458	-257	-10%	361	349	12	3%	2,562	2,807	-245	-9%				
Passenger security	57,845	56,820	1,025	2%	7,484	7,395	89	1%	65,329	64,215	1,114	2%				
Baggage security	40,072	39,520	552	1%	4,332	3,853	478	12%	44,404	43,373	1,030	2%				
Loading bridge	17,213	19,349	-2,136	-11%	0	0	0	n.s.	17,213	19,349	-2,136	-11%				
De-icing	5	17	-12	-70%	12	16	-4	-23%	17	33	-16	-48%				
Check-in desks	7,949	7,634	315	4%	418	412	7	2%	8,367	8,046	322	4%				
Lost & Found	184	197	-13	-7%	11	12	-2	-12%	195	209	-14	-7%				
Real estate	8,310	8,317	-7	0%	945	898	47	5%	9,255	9,215	40	0%				
ETC	107	112	-5	-4%	0	0	0	n.s.	107	112	-5	-4%				
PRM Assistance	20,357	18,270	2,087	11%	474	348	126	36%	20,831	18,618	2,214	12%				
TOT REGULATED SERVICES	634,589	628,818	5,772	1%	48,979	48,012	967	2%	683,568	676,829	6,739	1%				
TOT NON-REGULATED SERVICES	254,806	228,390	26,416	12%	14,775	12,819	1,955	15%	269,581	241,210	28,371	12%				
OTHERS	5,873	1,569	4,304	n.s.	75	0	75	n.s.	5,948	1,569	4,379	n.s.				
TOT REVENUES	895,268	858,776	36,492	4%	63,828	60,831	2,997	5%	959,097	919,608	39,489	4%				

Regulated revenues (2019 breakdown): Fiumicino



Revenue «pax-based» = 75% of Total Reg
 2018 was 75%
 2017 was 74%

Regulated revenues (2019 breakdown): Ciampino



Opex breakdown 2019-2018^(1/2)

VALUE IN €/000

OPERATING COSTS	FIUMICINO				CIAMPINO				ROME AIRPORT SYSTEM			
	2019	2018	Δ	Δ%	2019	2018	Δ	Δ%	2019	2018	Δ	Δ%
Landing / take-off	40,191	40,630	-439	-1%	6,069	6,421	-352	-5%	46,260	47,051	-791	-2%
Aircraft parking	1,337	1,261	76	6%	349	402	-53	-13%	1,686	1,663	23	1%
Passenger boarding	138,437	145,446	-7,008	-5%	10,120	10,123	-3	0%	148,557	155,569	-7,012	-5%
Cargo Embarkation / Disembarkation	500	928	-428	-46%	84	162	-78	-48%	584	1,090	-506	-46%
Passenger security	42,467	40,308	2,159	5%	6,773	6,517	256	4%	49,240	46,824	2,415	5%
Baggage security	11,230	11,593	-364	-3%	1,484	1,453	30	2%	12,714	13,047	-333	-3%
Simulation service	21	21	1	3%	0	0	0	n.s.	21	21	1	3%
Loading bridge	8,152	7,888	264	3%	0	0	0	n.s.	8,152	7,888	264	3%
De-icing	31	30	2	6%	75	63	12	19%	106	92	14	15%
Check-in desks	2,306	2,480	-174	-7%	144	201	-57	-28%	2,450	2,680	-231	-9%
Lost & Found	27	51	-24	-47%	11	6	5	82%	38	57	-19	-33%
Real estate	2,844	3,905	-1,061	-27%	10	435	-424	-98%	2,854	4,340	-1,486	-34%
ETV	2	2	0	-7%	0	0	0	n.s.	2	2	0	-7%
PRM Assistance (*)	21,434	20,539	895	4%	538	525	13	3%	21,972	21,063	908	4%
TOT REGULATED SERVICES	268,979	275,081	-6,102	-2%	25,657	26,308	-650	-2%	294,636	301,389	-6,753	-2%
TOT NON-REGULATED SERVICES	72,970	63,538	9,433	15%	7,011	5,240	1,771	34%	79,981	68,778	11,204	16%
OTHERS	187	3,244	-3,057	-94%	103	92	10	11%	289	3,336	-3,047	-91%
TOT SERVICES	342,136	341,863	274	0%	32,770	31,640	1,131	4%	374,907	373,502	1,404	0%

(*) intercompany item from ADR Assistance to ADR, not relevant for tariff-making purposes

Opex breakdown 2019-2018^(2/2)

VALUE IN €/000	FIUMICINO								
	STAFF			OTHER COSTS			TOTAL AMOUNT		
	2019	2018	Δ%	2019	2018	Δ%	2019	2018	Δ%
Landing / take-off	13,157	13,348	0	27,034	27,282	0	40,191	40,630	0
Aircraft parking	455	455	0%	883	806	9%	1,337	1,261	6%
Passenger boarding	60,755	45,257	34%	77,682	100,189	-22%	138,437	145,446	-5%
Cargo Embarkation / Disembarkation	170	227	-25%	329	701	-53%	500	928	-46%
Passenger security	35,179	32,706	8%	7,289	7,602	-4%	42,467	40,308	5%
Baggage security	5,793	6,164	-6%	5,437	5,429	0%	11,230	11,593	-3%
Simulation service	5	5	5%	16	16	3%	21	21	3%
Loading bridge	4,030	3,201	26%	4,122	4,687	-12%	8,152	7,888	3%
De-icing	31	29	8%	0	1	-100%	31	30	6%
Check-in desks	1,145	618	85%	1,161	1,862	-38%	2,306	2,480	-7%
Lost & Found	13	20	-34%	14	31	-56%	27	51	-47%
Real estate	1,251	1,669	-25%	1,593	2,236	-29%	2,844	3,905	-27%
ETV	1	1	-21%	1	1	9%	2	2	-7%
PRM Assistance (*)	0	0	n.s.	21,434	20,539	4%	21,434	20,539	4%
TOT FCO REGULATED SERVICES	121,985	103,700	18%	146,994	171,381	-14%	268,979	275,081	-2%

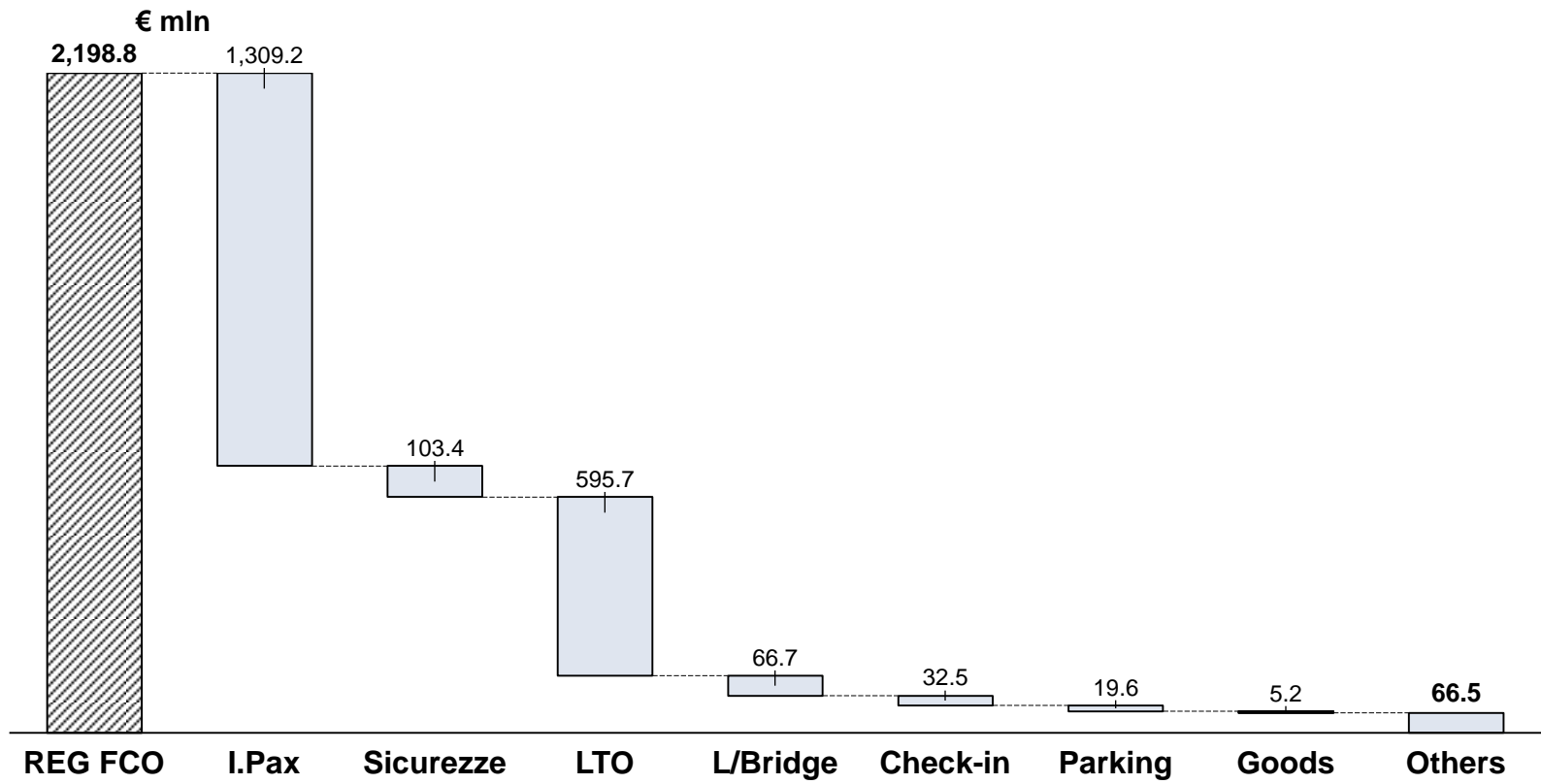
VALUE IN €/000	CIAMPINO								
	STAFF			OTHER COSTS			TOTAL AMOUNT		
	2019	2018	Δ%	2019	2018	Δ%	2019	2018	Δ%
Landing / take-off	2,108	2,256	0	3,961	2,256	1	6,069	6,421	0
Aircraft parking	175	130	35%	173	130	33%	349	402	-13%
Passenger boarding	4,665	3,376	38%	5,455	3,376	62%	10,120	10,123	0%
Cargo Embarkation / Disembarkation	41	56	-27%	43	56	-22%	84	162	-48%
Passenger security	5,515	5,187	6%	1,258	5,187	-76%	6,773	6,517	4%
Baggage security	908	829	10%	576	529	9%	1,484	1,453	2%
De-icing	75	62	21%	0	62	-100%	75	63	19%
Check-in desks	58	41	41%	86	41	110%	144	201	-28%
Lost & Found	6	4	62%	5	4	21%	11	6	82%
Real estate	4	243	-98%	6	243	-97%	10	435	-98%
PRM Assistance (*)	0	0	n.s.	538	0	n.s.	538	525	3%
TOT CIA REGULATED SERVICES	13,556	12,184	11%	12,101	11,884	2%	25,657	26,308	-2%

Invested capital breakdown 2019-2018

	FIUMICINO			
<i>VALUE IN €/000</i>	2019	2018	Δ	Δ%
Landing / take-off	595,716	612,212	-16,496	-3%
Aircraft parking	19,561	19,613	-52	0%
Passenger boarding	1,309,174	1,337,408	-28,234	-2%
Cargo Embarkation / Disembarkation	5,179	5,809	-630	-11%
Passenger security	34,089	30,400	3,689	12%
Baggage security	69,286	75,368	-6,082	-8%
Simulation service	151	155	-4	-2%
Loading bridge	66,744	68,940	-2,196	-3%
Check-in desks	32,549	31,152	1,397	4%
Lost & Found	594	1,067	-473	-44%
Real estate	60,629	78,760	-18,131	-23%
ETV	5,135	3,636	1,499	41%
TOT FCO REGULATED SERVICES	2,198,806	2,264,520	-65,714	-2.9%

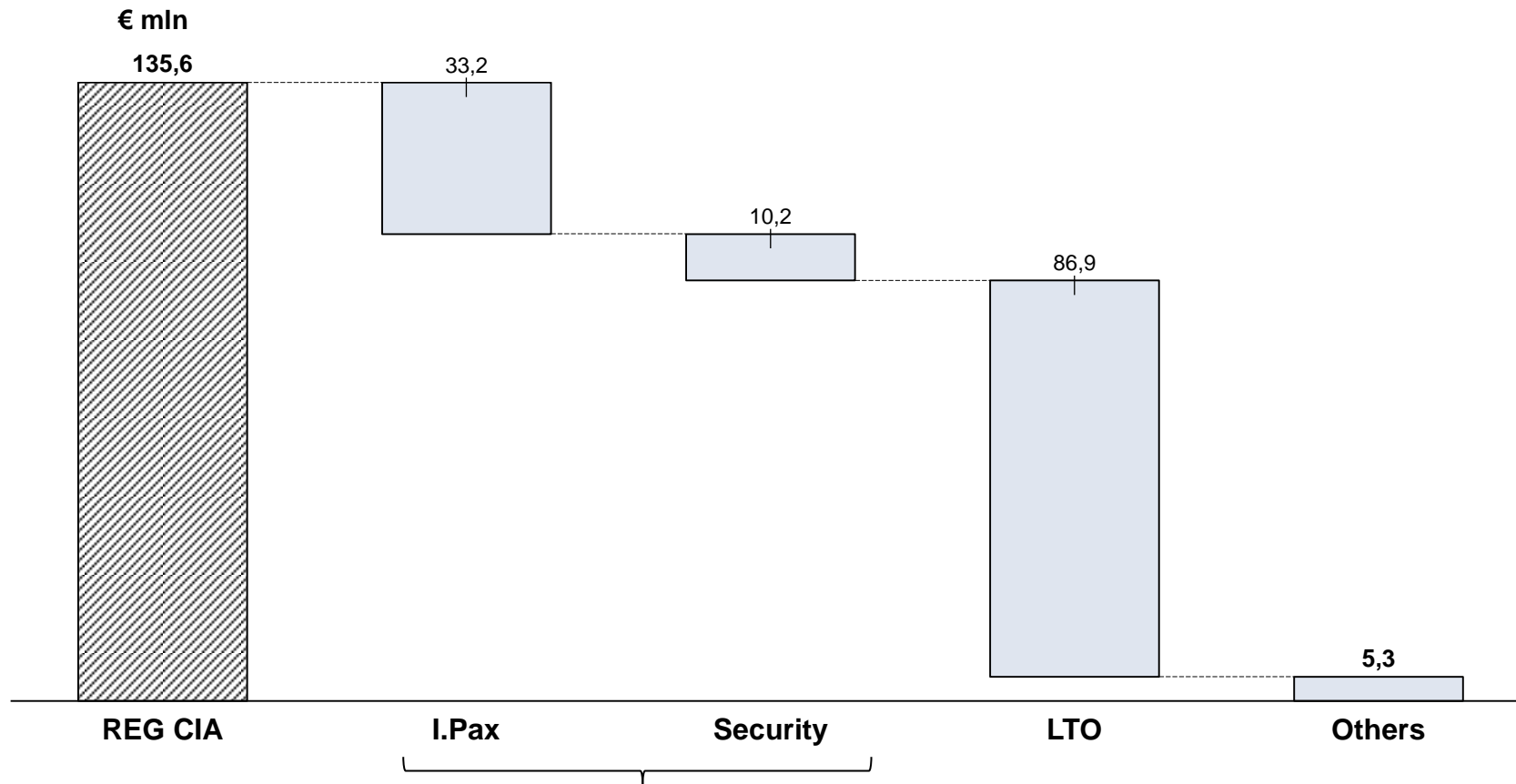
	CIAMPINO			
<i>VALUE IN €/000</i>	2019	2018	Δ	Δ%
Landing / take-off	86,886	88,601	-1,715	-2%
Aircraft parking	2,781	2,819	-38	-1%
Passenger boarding	33,198	31,636	1,562	5%
Cargo Embarkation / Disembarkation	1,250	1,433	-183	-13%
Passenger security	2,767	2,566	201	8%
Baggage security	7,431	7,852	-421	-5%
Check-in desks	649	681	-32	-5%
Lost & Found	59	55	4	7%
Real estate	566	2,768	-2,202	-80%
TOT CIA REGULATED SERVICES	135,588	138,411	-2,823	-2.0%

RAB 2019: Fiumicino



RAB «pax-based» = 64% of Total
 2018 was 63%
 2017 was 65%

RAB 2019: Ciampino



RAB «pax-based» = 32% of Total
 2018 was 30%
 2017 was 26%

Allowable cost breakdown 2019-2018

AEROPORTI DI ROMA S.p.A.					
REGULATORY ACCOUNTS 2019: ALLOWED COSTS					2018
(VALUE IN €/000)					
FIUMICINO	OPERATING COSTS	DEPRECIATIONS	REMUNERATION	TOTAL COSTS	TOTAL COSTS
Landing / take-off	40,191	33,084	52,325	125,599	125,781
Aircraft parking	1,337	1,209	1,869	4,416	4,317
Passenger boarding	138,437	88,804	115,610	342,851	343,568
Cargo Embarkation / Disembarkation	500	353	460	1,312	1,821
Passenger security	42,467	4,897	2,941	50,305	47,307
Baggage security	11,230	9,198	6,283	26,711	27,230
Simulation service	21	12	13	47	45
Loading bridge	8,152	6,912	5,779	20,843	20,344
De-icing	31	-	-	31	30
Check-in desks	2,306	2,588	2,852	7,746	7,738
Lost & Found	27	46	51	124	220
Real estate	2,844	4,553	5,243	12,640	16,354
ETV	2	1	437	439	312
PRM Assistance (*)	21,434	-	-	21,434	20,539
TOT REGULATED SERVICES (FCO)	268,979	151,657	193,863	614,499	615,606
CIAMPINO	OPERATING COSTS	DEPRECIATIONS	REMUNERATION	TOTAL COSTS	TOTAL COSTS
Landing / take-off	6,069	5,222	7,438	18,728	19,003
Aircraft parking	349	150	261	760	792
Passenger boarding	10,120	3,249	2,889	16,257	15,872
Cargo Embarkation / Disembarkation	84	79	108	272	388
Passenger security	6,773	442	238	7,453	7,076
Baggage security	1,484	1,069	634	3,187	3,161
De-icing	75	-	-	75	63
Check-in desks	144	62	56	261	345
Lost & Found	11	6	5	23	16
Real estate	10	1	48	59	965
PRM Assistance (*)	538	-	-	538	525
TOT REGULATED SERVICES (CIA)	25,657	10,279	11,677	47,613	48,206
TOT REGULATED SERVICES	294,636	161,935	205,540	662,112	663,812
TOT NON REGULATED SERVICES	79,981	71,921	131,081	282,983	238,069
OTHERS	289	943	1,007	2,239	5,309

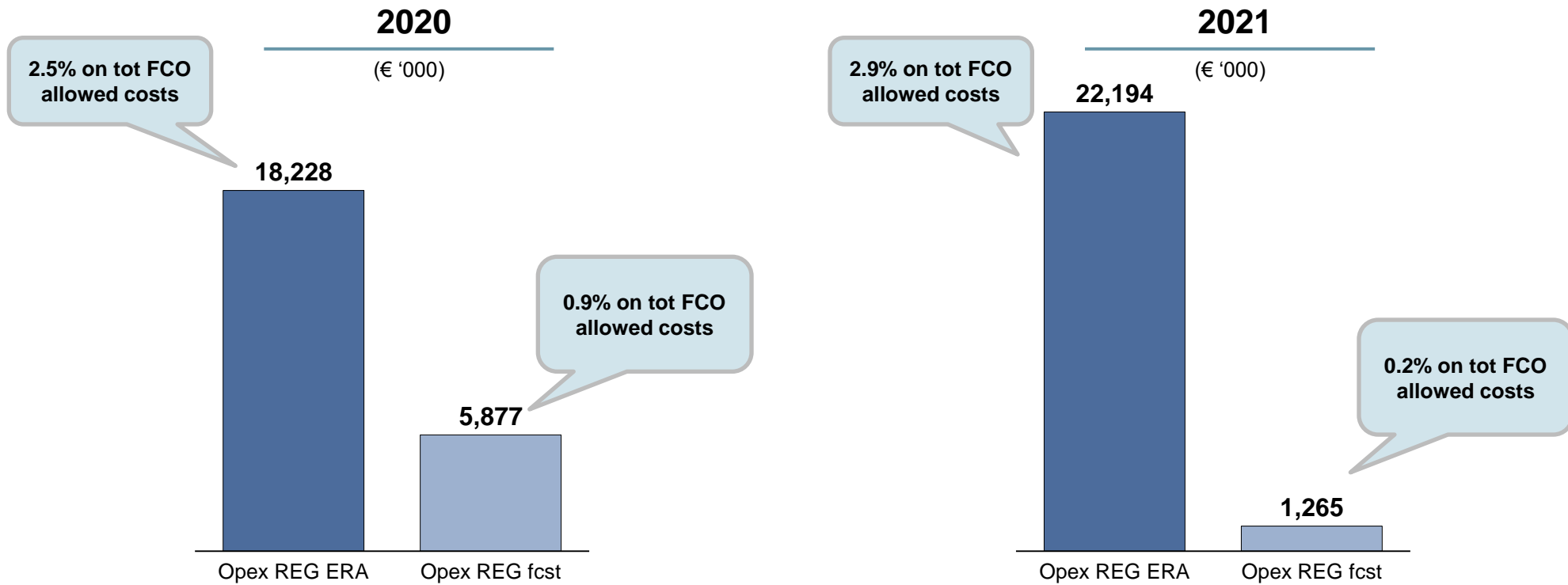
(*) intercompany charge from ADR Assistance not relevant for regulated charges setting

Parameters of tariff formula: «x», «k», «v» (2017-2021)

	"X" Parameter	"K" Parameter					"K" Parameter					"V" Parameter					"V" Parameter				
	ERA	ERA	ERA	ERA	ERA	ERA	A	A	A	A	F	ERA	ERA	ERA	ERA	ERA	A	A	A	A	F
		2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Fiumicino																					
Landing / take-off	8.1%	5.9%	12.7%	12.8%	14.2%	16.9%	5.4%	7.5%	4.8%	8.1%	2.7%	1.6%	1.9%	2.2%	2.8%	4.6%	1.3%	1.5%	1.6%	1.0%	5.2%
Aircraft parking	7.7%	22.6%	35.0%	44.2%	4.1%	7.9%	21.3%	22.1%	13.0%	13.0%	1.2%	-3.8%	0.0%	0.0%	0.0%	0.0%	-3.8%	-0.4%	-0.6%	-0.6%	0.4%
Passenger boarding	4.7%	15.8%	8.5%	7.8%	6.9%	3.0%	14.2%	6.0%	2.4%	4.6%	1.5%	-0.7%	0.0%	0.0%	0.0%	0.0%	-0.8%	-0.5%	-1.1%	-0.8%	-1.0%
Cargo Embarkation / Disembarkation	2.5%	10.8%	12.7%	9.9%	4.4%	3.7%	5.8%	9.1%	3.3%	3.6%	-1.4%	-1.5%	0.0%	0.0%	0.0%	0.0%	-1.6%	-1.5%	-2.4%	-1.3%	-1.3%
Passenger security	2.3%	5.5%	3.4%	2.0%	1.9%	0.8%	4.9%	3.2%	1.7%	1.3%	1.0%	0.7%	0.0%	0.0%	0.0%	0.0%	0.6%	-0.2%	-0.1%	-0.1%	-0.2%
Baggage security	2.9%	21.6%	8.6%	6.1%	4.1%	2.1%	27.7%	4.6%	3.0%	1.1%	-0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	1.5%	-1.3%	-0.4%	-0.6%
Cargo Security Facility	2.1%	11.8%	8.1%	4.2%	8.4%	3.8%	8.1%	8.1%	1.8%	2.8%	2.2%	3.4%	0.0%	0.0%	0.0%	0.0%	2.6%	-0.8%	-1.6%	-1.6%	-2.0%
Loading bridge	13.4%	11.1%	7.8%	11.0%	13.7%	1.7%	9.8%	5.3%	4.1%	3.8%	4.3%	-0.6%	0.0%	0.0%	0.0%	0.0%	-0.6%	-0.4%	-1.4%	-0.8%	-0.3%
De-icing	0.8%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Check-in desks	4.5%	11.3%	20.2%	5.8%	9.2%	2.4%	8.7%	17.0%	6.2%	11.0%	7.0%	-1.7%	0.0%	0.0%	0.0%	0.0%	-2.8%	-1.7%	0.0%	0.7%	-1.3%
Lost & Found	4.4%	13.3%	9.3%	15.5%	16.2%	4.6%	12.5%	6.8%	5.0%	10.6%	4.9%	-4.5%	0.0%	0.0%	0.0%	0.0%	-4.6%	-0.3%	-0.8%	-1.0%	-0.9%
Real estate	3.9%	13.3%	9.8%	7.9%	8.4%	3.3%	12.1%	5.3%	3.2%	6.0%	3.2%	-1.0%	0.0%	0.0%	0.0%	0.0%	-1.0%	-0.4%	-1.2%	-0.8%	-1.8%
ETV	2.1%	0.4%	3.1%	0.3%	0.9%	0.7%	1.1%	-0.3%	1.6%	-0.4%	-1.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	-0.6%	0.0%	-0.1%
Ciampino																					
Landing / take-off	5.7%	16.3%	8.5%	8.9%	3.5%	2.4%	15.9%	2.6%	2.5%	1.9%	4.0%	0.2%	0.7%	0.8%	1.1%	1.9%	-0.1%	0.3%	-0.1%	0.3%	0.5%
Aircraft parking	3.7%	2.9%	2.8%	1.9%	2.2%	1.2%	2.4%	6.9%	73.8%	37.4%	9.3%	-0.2%	-0.3%	-0.4%	-0.6%	-1.2%	-0.5%	-0.6%	0.4%	-1.1%	6.8%
Passenger boarding	8.7%	10.2%	5.7%	2.7%	4.0%	1.0%	8.8%	4.3%	8.8%	5.5%	3.4%	0.3%	-0.2%	-0.3%	-0.4%	-0.7%	-0.2%	-1.1%	0.1%	-0.7%	0.0%
Cargo Embarkation / Disembarkation	6.6%	14.5%	7.4%	7.2%	2.9%	2.0%	13.9%	3.3%	8.2%	6.3%	4.6%	-0.3%	-0.2%	-0.2%	-0.3%	-0.5%	-0.9%	-0.6%	-0.5%	-0.9%	-0.4%
Passenger security	1.0%	3.7%	1.4%	0.7%	0.3%	0.2%	2.9%	1.7%	1.5%	1.0%	1.0%	0.2%	-0.1%	-0.1%	-0.2%	-0.4%	0.1%	-0.3%	-0.2%	-0.1%	-0.3%
Baggage security	3.2%	3.2%	2.8%	1.4%	0.7%	0.5%	2.9%	38.7%	4.6%	1.3%	0.9%	0.3%	-0.2%	-0.3%	-0.4%	-0.8%	0.0%	-0.4%	1.9%	0.0%	-0.8%
De-icing	-0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Check-in desks	3.7%	10.4%	5.8%	2.4%	1.3%	1.1%	6.9%	3.4%	4.4%	1.9%	1.8%	0.9%	0.0%	0.0%	0.0%	-0.1%	-0.2%	-1.9%	1.2%	0.8%	-0.6%
Lost & Found	7.5%	22.5%	16.5%	5.4%	1.4%	1.4%	22.4%	5.1%	7.3%	3.0%	2.5%	-0.7%	-0.1%	-0.1%	-0.2%	-0.3%	-1.1%	-0.3%	0.9%	-1.1%	-1.8%
Real estate	8.9%	29.7%	7.8%	4.1%	1.4%	1.4%	24.8%	10.3%	4.8%	3.1%	3.1%	-0.1%	-0.2%	-0.2%	-0.3%	-0.6%	-1.0%	-2.1%	-0.2%	-0.7%	-1.9%

(*) «x» remains unchanged within a five-year period; (**) «k» covers allowed costs on new capex (actual values) and relevant opex; (***) «v» compensates for adjustments on ENAC ex-post monitoring activities and changes in ADR's contribution to fire-fighting brigade fund relative to forecasts at the start of the five-year period

FCO: operating costs tied to new infrastructures



- In clearly defined conditions set forth in ERA's art. 36, allowable costs for regulated charges calculations include operating costs (utilities, ordinary maintenance, cleaning, others) associated to the start-up of new significant infrastructures within a 5-yr tariff period (in ADR's 2021 charges proposal this item accounts for 0.2% of total allowable costs)
- The impact of these cost items as envisaged in the tariff dynamic at the start of the second five-year period of ERA was significantly higher
- The values in chart provide an indication of the company's effort to beat planned costs and include items (lower costs) resulting from the partial or total shut-down of operations of Net 6000 and T5 (from 2017), T2 (from 2018), others (2020)

Operating cost allowances in «k» parameter

- Table in this page shows the operating costs that are included in the calculation of the fees for 2021 (adjustment on 2019 values and last estimate for costs of targeted infrastructures in 2020). Tables in the following pages show detailed dataset for each infrastructure.

<i>Totale Opex K</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	7,006	1,429	6,036	1,374	7,727	(1,292)	6,591	(1,255)
Cleaning	5,849	2,391	5,294	2,165	7,817	1,338	7,076	1,212
Utilities	8,100	3,084	6,066	2,319	9,074	2,439	6,796	1,834
Services from third parties	0	326	0	327	0	42	0	41
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	1,643	680	1,589	680	2,537	516	2,448	516
Rentals/fees/leases	(1,009)	(1,066)	(1,009)	(1,066)	(1,024)	(1,094)	(1,024)	(1,094)
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	21,589	6,844	17,976	5,799	26,131	1,949	21,887	1,254

(*) The total amount is to be recognised in the following year

Boarding Area E: opex «k»



<i>New Boarding Area E - ex Pier C and AVC</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	6,848	2,762	6,002	2,673	6,950	2,167	6,092	2,113
Cleaning	4,877	3,662	4,415	3,316	4,772	2,732	4,320	2,472
Utilities	5,877	3,299	4,402	2,480	5,908	2,793	4,425	2,101
Services from third parties	0	15	0	15	0	0	0	0
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	803	1,025	803	1,025	816	959	816	959
Rentals/fees/leases	0	0	0	0	0	0	0	0
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	18,405	10,763	15,622	9,509	18,446	8,651	15,653	7,645

BHS T1: opex «k»



<i>BHS Terminal 1</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	675	(1,333)	633	(1,299)	685	(3,459)	642	(3,368)
Cleaning	0	153	0	139	0	32	0	29
Utilities	1,550	615	1,161	461	1,558	503	1,167	376
Services from third parties	0	331	0	331	0	61	0	61
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	160	187	157	187	162	119	160	119
Rentals/fees/leases	0	0	0	0	0	0	0	0
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	2,385	(47)	1,951	(181)	2,405	(2,744)	1,969	(2,783)

Shut-down NET 6000: opex «k»



<i>Shut-down NET 6000</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	(1,328)	0	(1,293)	0	(1,348)	0	(1,313)	0
Cleaning	0	0	0	0	0	0	0	0
Utilities	(430)	(242)	(322)	(181)	(429)	(259)	(322)	(194)
Services from third parties	0	0	0	0	0	0	0	0
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	0	0	0	0	0	0	0	0
Rentals/fees/leases	(1,009)	(1,066)	(1,009)	(1,066)	(1,024)	(1,094)	(1,024)	(1,094)
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	(2,767)	(1,308)	(2,624)	(1,247)	(2,801)	(1,353)	(2,659)	(1,288)

West Area – Aprons phase 1: opex «k»



<i>West Area - Aprons phase 1</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	219	0	199	0	285	0	260	0
Cleaning	0	0	0	0	0	0	0	0
Utilities	66	154	50	115	67	132	50	99
Services from third parties	0	0	0	0	0	0	0	0
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	189	0	171	0	192	0	173	0
Rentals/fees/leases	0	0	0	0	0	0	0	0
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	474	154	420	115	544	132	483	99

West Area – Aprons phase 2: opex «k»



<i>West Area - Aprons phase 2</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	186	0	171	0	243	0	223	0
Cleaning	0	0	0	0	0	0	0	0
Utilities	71	77	53	58	72	66	54	49
Services from third parties	0	0	0	0	0	0	0	0
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	189	0	171	0	192	0	173	0
Rentals/fees/leases	0	0	0	0	0	0	0	0
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	446	77	395	58	507	66	450	49

Hub Est – Boarding Area A: opex «k»

<i>Hub East - Boarding Area A</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	101	0	73	0	343	0	246	0
Cleaning	338	0	306	0	1,099	0	995	0
Utilities	345	0	258	0	827	0	619	0
Services from third parties	0	0	0	0	0	0	0	0
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	81	0	80	0	495	0	491	0
Rentals/fees/leases	0	0	0	0	0	0	0	0
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	865	0	717	0	2,764	0	2,351	0

East Terminal - T1 Front Building: opex «k»



<i>Hub East - T1 Front Building</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	67	0	48	0	228	0	164	0
Cleaning	246	0	223	0	1,167	0	1,056	0
Utilities	230	0	172	0	551	0	413	0
Services from third parties	0	0	0	0	0	0	0	0
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	58	0	54	0	348	0	325	0
Rentals/fees/leases	0	0	0	0	0	0	0	0
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	601	0	497	0	2,294	0	1,958	0

Terminal 5: opex «k»



<i>Reconfiguration Terminal 5</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	238	0	203	0	341	0	277	0
Cleaning	388	0	350	0	779	0	705	0
Utilities	391	0	292	0	520	0	390	0
Services from third parties	0	0	0	0	0	0	0	0
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	163	0	153	0	332	0	310	0
Rentals/fees/leases	0	0	0	0	0	0	0	0
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	1,180	0	998	0	1,972	0	1,682	0

Shut-down Terminal 2: opex «k»

<i>Shut-down Terminal 2</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	0	0	0	0	0	0	0	0
Cleaning	0	(542)	0	(490)	0	(542)	0	(490)
Utilities	0	(247)	0	(185)	0	(201)	0	(151)
Services from third parties	0	0	0	0	0	0	0	0
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	0	(129)	0	(129)	0	(139)	0	(139)
Rentals/fees/leases	0	0	0	0	0	0	0	0
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	0	(918)	0	(804)	0	(882)	0	(780)

Shut-down Terminal 5: opex «k»



<i>Shut-down Terminal 5</i>	Total amounts		Regulatory amounts		Total amounts		Regulatory amounts	
	2019 ERA	ACT 2019	2019 ERA	ACT 2019	2020 ERA	FCST 2020	2020 ERA	FCST 2020
Consumables	0	0	0	0	0	0	0	0
Maintenance	0	0	0	0	0	0	0	0
Cleaning	0	(883)	0	(800)	0	(884)	0	(799)
Utilities	0	(572)	0	(429)	0	(595)	0	(446)
Services from third parties	0	(19)	0	(19)	0	(19)	0	(20)
General Expenses	0	0	0	0	0	0	0	0
Personnel costs	0	(403)	0	(403)	0	(423)	0	(423)
Rentals/fees/leases	0	0	0	0	0	0	0	0
Concession fee	0	0	0	0	0	0	0	0
Security fee	0	0	0	0	0	0	0	0
Firefighting brigade fund	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
TOTAL	0	(1,877)	0	(1,651)	0	(1,921)	0	(1,688)

- 2021 Charges: Key Issues
- Costs per Aircraft
- Allowed Costs and Parameters of Regulated Charges
- **Background Information on ADR-ENAC Economic Regulation Agreement**

ADR's Economic Regulation Agreement

- ADR's **ERA (Economic Regulation Agreement)** has been approved by the Civil Aviation Authority and Government between October and **December 2012** with the aim of defining a **coherent set of transparent and stable rules**, valid until the end of the concession (June 2044) for encouraging medium and long term development of a key national airport infrastructure.
- The **long-term certainty of the rules** is a fundamental pre-requisite for access to sources of financing in support of the company's infrastructure development plan.
- Tariff-making rules are fixed until the end of the concession and are based on tariff periods of five years with the aim to **correlate customers' fees to the costs of services subject to economic regulation**; the tariff-making framework is "RAB based" and inclusive of bonuses / penalties for achieved performances on environmental and quality indicators above / below set targets.
- The close of fiscal year 2016 marked the end of the first five-year tariff period and the start of the second (2017-21) with the first application of new tariffs by March 1, 2017. 2021 (from March) represents the fifth year of ADR's second five-year period under ERA rules.
- Looking beyond, in 2021 consultation ADR will aim to share with the users updating of the capex plan approved by ENAC and of parameters and allowed costs for future (2022-27) tariff dynamics (WACC, x, k, others)
- Pursuant to Law 3 May 2019 n. 37, since H2 2019 ART is responsible for the supervision of economic regulation – as required by the EU Directive of 2009 (so-called "Airport Charges") – also on ERAs "in derogation"
- On July 16, with resolution 136/2020 ART published the new regulation models for the airport sector (conclusion of the procedure started with resolution 84/2018) which are based – as ENAC's ERAs and ART models in force – on the principle of "dual till"
- These are models which cannot be directly applicable to ADR which has signed ERA with ENAC containing rules valid until the end of the concession, but of which ART transposes applicability to specific agreements between the concessionaire and ENAC with a mechanism that appears to impose a negotiation constraint

ERA: Key Economics

Clear and stable tariff rules to 2044

- The **tariff structure** is based on internationally recognised criteria of correlation with the costs of infrastructures and services, as well as efficiency fostering provided by Directive 2009/12/EC and Italian law n. 27/2012
- Regulatory period of **10 years**, divided into **5-year** tariff periods (eg. 2017-21), for updates of traffic, investment, quality targets and some elements of allowed return calculation (CAPM)
- ERA provides for **annual tariff reviews with (i) ENAC** on new allowable costs stemming from verified progresses on capex plan (Oct-Dec for reviewing allowances; new tariff application since March) (ii) users to present progresses in the investment plan, quality achievements and the correlated impacts in tariffs in compliance with EU Directive on airport charges (2009)

RAB (Regulated Asset Base) and allowed returns

- **Asset value** upon which tariffs are recognised is determined on the updated book-value of the assets allocated to the regulated services, as identified by the company's certified Regulatory Accounts (for future tariffs, RAB is rolled-forward accounting for inflation revaluation); at the beginning of 2018 RAB is equal to **Euro 2.4** billion in application of revaluation / depreciation rules set forth under ERA's art. 33
- For the second regulatory period (2017-2021) the **real pre-tax WACC is equal to 8.52%** (was 11.91% in 2012-16) net of incremental returns allowed on new strategic infrastructures; ERA clearly defines all parameters and criteria for updates to allowed return on capital: vast majority of them shall be updated every five years (CPI – tax rate – asset beta – risk free rate – debt premium) or ten years (risk-specific “additional” beta – leverage)

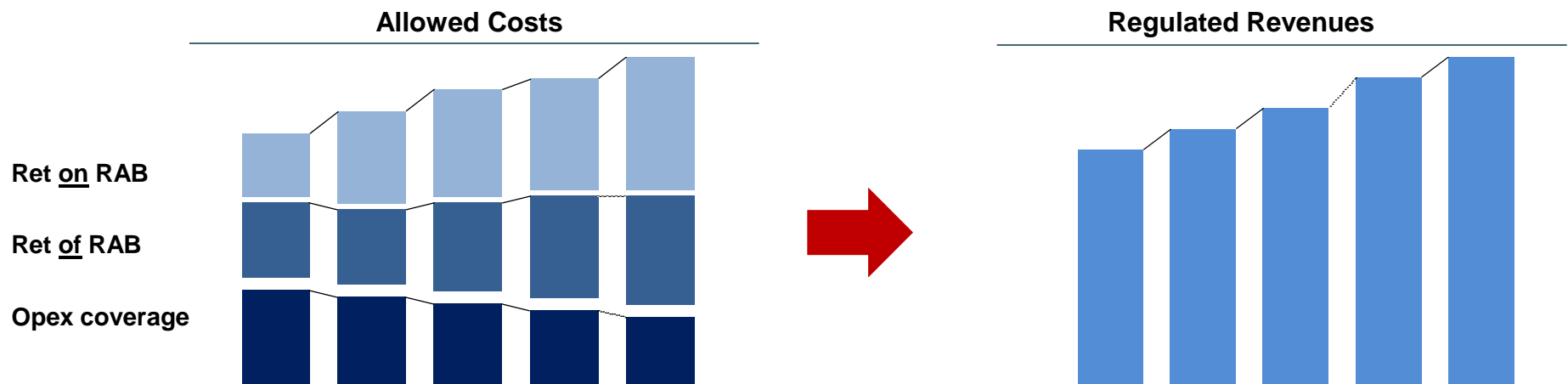
Actual traffic vs forecast traffic

- **Traffic variations vs forecasts** included in the +/- 5% range will be for the benefit of/borne by ADR
- Where the traffic registered in the five-year period is > +5% than forecasts: 50% of the higher income above 5% will be set aside for future investments with no impact in tariffs for remuneration/depreciation
- Where the traffic registered in the five-year period is < -5% than forecasts: 50% of the lower income below -5% will be included in the allowed costs for tariff calculations in the following five-year period
- **Yearly variations of +/- 6% vs forecast** entitle to rebalancing of tariff mechanism for the remainder of the regulatory period

How “Allowed” Costs Turn Into Tariffs

According to internationally recognized principles, the «Price-cap» regulation allows for coverage of costs and clarity of returns on capital employed:

- «Start» Regulated Asset (RAB) and deployment of capex plan
- Return calculated with standard CAPM approach (WACC)
- International reference for range of allowed depreciation charges
- Opex allowances on «base year» and implied efficiency enhancement target



Within ea. tariff period evolution of allowed costs based on:

- Capex plan deployment
- Traffic volumes
- Efficiency enhancement

PV of tariff period revs = PV of tariff period costs:

- On grounds of forecast volumes for tariff period ...
- ... tariff to equal PVs of regulated revs and of allowed costs
- Tariff within a tariff period may trend down on positive traffic dynamic

Tariff Mechanism Explained

- Year's "i" tariff within a 5-year period is calculated in compliance with ERA's rules as follows:

$$T_i = T_0 * (1 + P - x + k + v) * (1 + \varepsilon)$$

Where:

T_0 = previous year's tariff

P = forecast inflation rate (defined ex-ante on govt's latest financial planning document and updated on a yearly basis) (*)

x = annual change for the relevant 5-year period to guarantee allowed costs' equal to regulated revenues' on 5-year DCF computation (discounted at the nominal cost of capital implied in the regulatory real cost of capital)

k = increase in tariff arising from allowed costs of capex undertakings

v = increase in tariffs on new additional costs related to changes in legal framework or other non-recurring events

ε = bonus/penalty to account for over/under achievements relative to target level of quality of service and environmental constraints set for the 5-year period

The Allowed Cost of Capital for ERA's Second 5-yr Period: ADR's WACC in 2017-21



II Regulatory Period (2017-2021)

(a) Risk-free rate (10-yr BTP)	2,82%
(b 1) Corporate debt premium	1,99%
(b 2) Cost of issuances	0,30%
(c) Cost of debt = (a+b1+ b2)	5,11%
(d) Effective tax rate	37,41%
(e) IRES	27,50%
(f) Pre-tax cost of debt = $c*(1-e)/(1-d)$	5,92%
(g) Equity Risk Premium	5,0%
(h) Gearing	57,0%
(i) Financial Leverage (D/E)	1,33
(l) Asset beta	0,57
(l1) Additional beta	0,30
(m) Equity beta = $l * (1+i*(1-e)) + l1$	1,41
(n) Post-tax cost of equity = $a+(g*m)$	9,9%
(o) Pre-tax cost of equity = $n/(1-d)$	15,8%
(p) Pre-tax nominal WACC = $f * h+o*(1-h)$	10,15%
(q) Post-tax nominal WACC = $p * (1-d)$	6,35%
(r) Inflation rate	1,50%
(s) Pre-tax real WACC = $(1+p)/(1+r) - 1$	8,52%

The methodology applied to define the real pre-tax WACC for the 2017-2021 period is described in ADR's ERA (Articles 38-43) and in Annex 23.

The **asset beta** (equal to 0.57) is calculated as the average of weekly / monthly surveys carried out over periods of 3 and 5 years on the stock prices of a sample of comparable airports (Frankfurt, Paris, Zurich, Vienna).

Operating Costs As 'Allowable' Costs

- ERA (art. 32) provides for coverage of operating costs within the five-year tariffs through a regulatory mechanism that recognizes inflation, traffic and elasticity of its variations in costs, and - finally - an efficiency parameter:

$$Opex_t = Opex_{t-1} * (1 + Delta\ traffic * cost\ elasticity) * [1 + P * (1 - eff)]$$

where:

- cost elasticities to traffic under ERA are represented by nature of cost (see table); they would be equal to zero in case of negative changes in traffic estimates in the five years
 - P is the fcst govt inflation (as represented in government's 'DEF')
 - "Eff" is the goal of efficiency set at 5% of the abovesaid inflation rate
- Any discontinuity in operating costs may be considered for tariff purposes, however limited to what is allocated to services subject to economic regulation, i.e:
 - ✓ Costs spurred by changes in legislative framework in 'ex ante mode' (art. 37.1) or 'ex post' (art. 37.2)
 - ✓ Costs on operations of new infrastructures: apply logic and rules of the tariff component 'k' limited to new works having 'infra-five years' start-ups
 - ✓ Costs between 'base year' and start of new 5-year period: a verification of eligibility of operating costs occurred in the so-called 'bridge year' is foreseen

Cost Elasticities to Traffic

OPEX	Elasticity
Staff Cost	0,60
Raw Material	0,30
Maintenance	0,80
Cleaning	0,35
Utilities	0,40
Third party services	0,40
G&A	0,40