

Proposal of 2018 Charges

Introduction

August 2017

2018 Charges Update: Further Into the Second 5-Year Period (2017-2021)

2016-2017: Capex FCO, CIA

Scalo	Anno	Importo (€ mln)
FCO	2016	402
	2017	206
	Totale	608
CIA	2016	26
	2017	14
	Totale	40

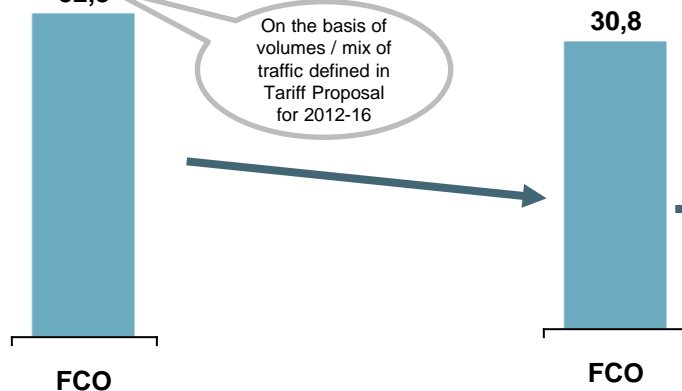
Increase in RAB 2016-2017: €395 mln

2016 – FCO, CIA (€)



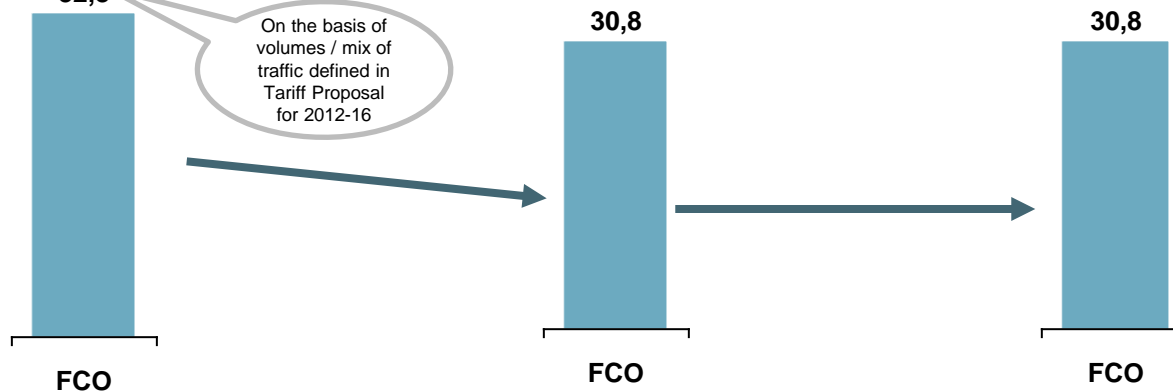
On the basis of volumes / mix of traffic defined in Tariff Proposal for 2012-16

2017 – FCO, CIA (€)



On the basis of volumes / mix of traffic defined in Tariff Proposal for 2012-16

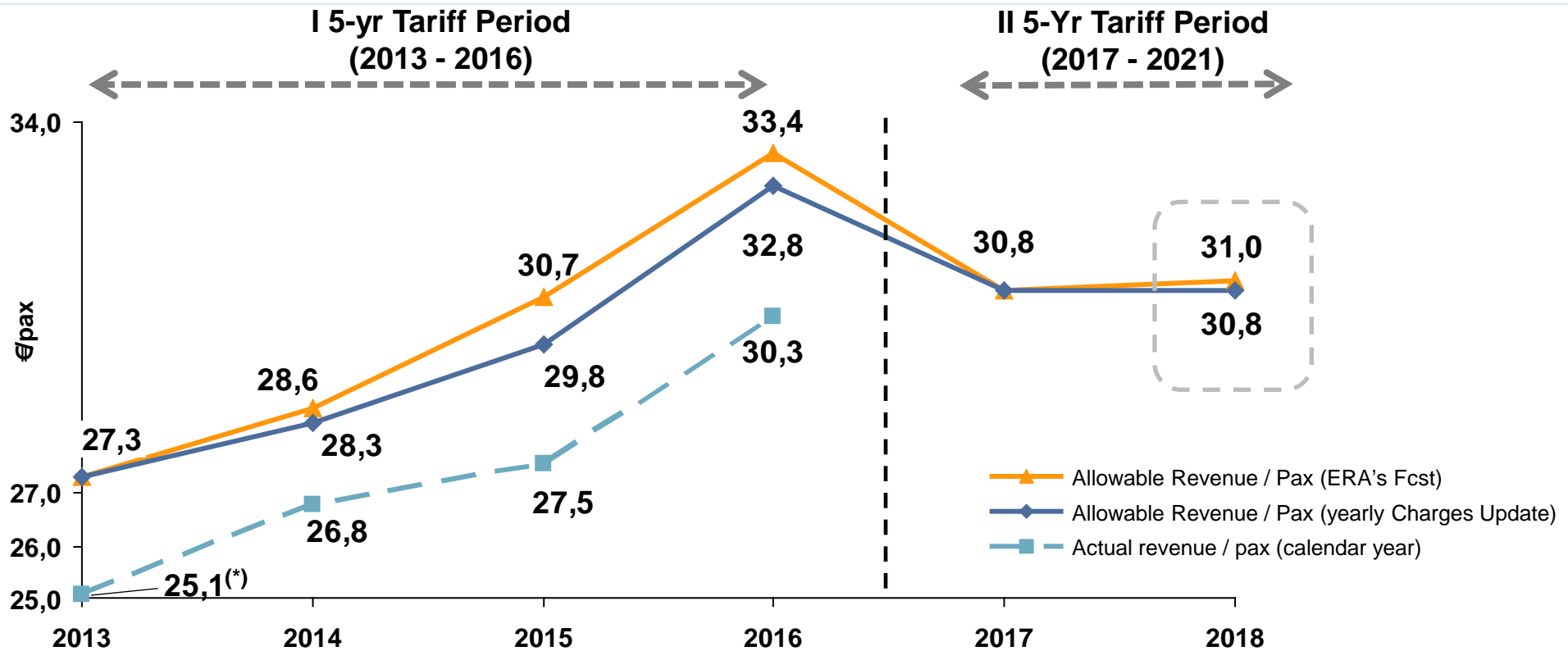
2018 – FCO, CIA (€)



- Notwithstanding a significant pick-up in capex spending in 2016-17, avg regulated unit charges are substantially flat in FCO and show a further reduction in CIA
- For FCO for application from March 2018 ADR's proposal foresees avg unit charge broadly unchanged vs current year at **€30,8/pax** (calculations of avg unit charges are based on traffic volume and mix presented in Annex 11 to the 2017-21 ERA)
- For CIA's commercial aviation from March 2018 ADR's proposal foresees a further decline in avg unit charge vis-a-vis current year's (**-€0,55/pax** or -4%), after a significant step-down applied in 2017 vs 2016 (assuming traffic volume and mix as presented in ERA)

(*) Commercial aviation

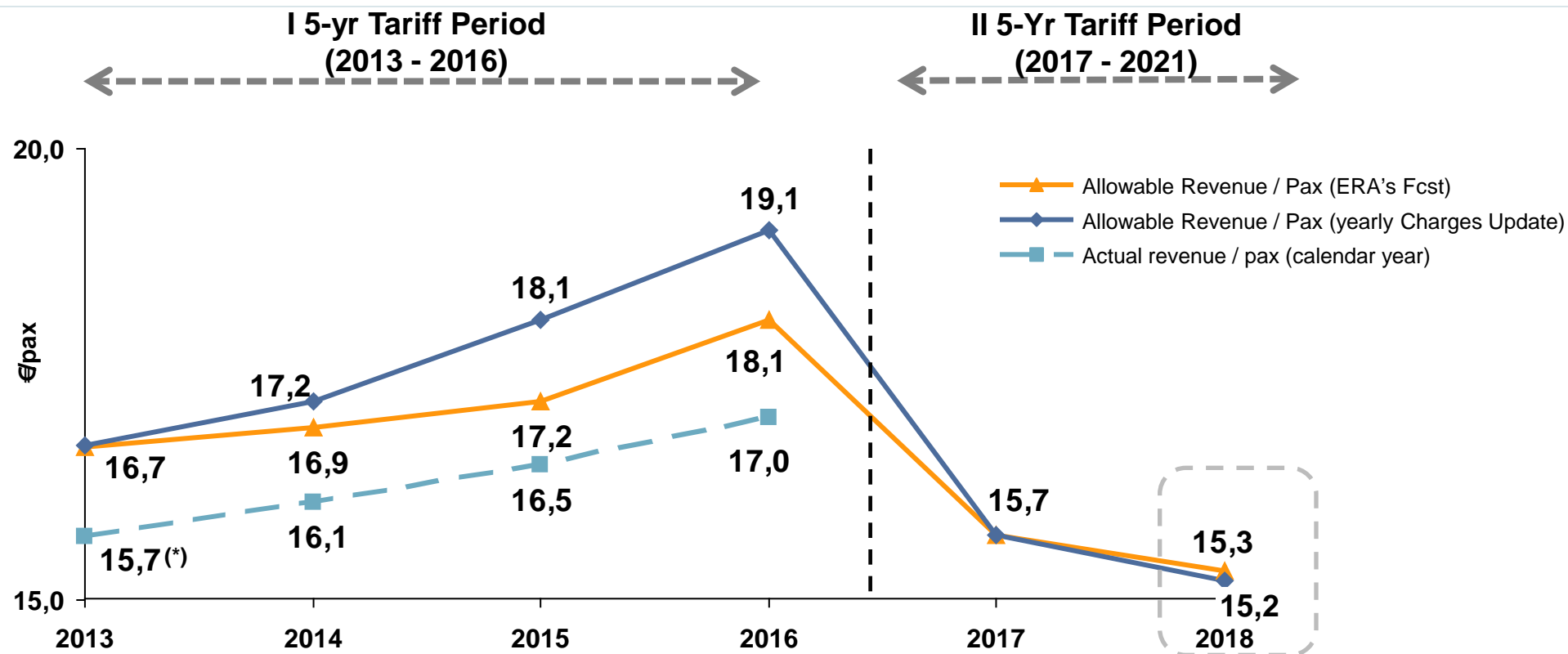
FCO: Allowable Revenue per Pax vs ERA Fcst in 2013-2018



- In 2013-18 FCO's unit charge (reg revenues / paying pax) show a 2,4% CAGR (from €27,3/pax to €30,8/pax), ie. 120bp above CPI in the period, in spite of significant investment outlays in new capacity and improvements in quality of service
- A ratio of regulated revenues to paying passengers on each year's actuals provide results that consistently underperform relative to allowable revenues to pax on ERA's fcst (fcst provided for at ERA's inception in 2012): this is due mainly to some charges of minor regulated services remaining lower than yearly published levels (eg. regulated rentals, check-in desks, de-icing) and diverging traffic evolution
- FCO's charges proposal for 2018 is predicated – among others – on an inflation est of 1,5%

(*) Actual revenue / pax (calendar year) for 2013 reflects the two-month period (Jan-Feb) during which ERA was not yet implemented

CIA (AC): Allowable Revenue per Pax vs ERA Fcst in 2013-2018

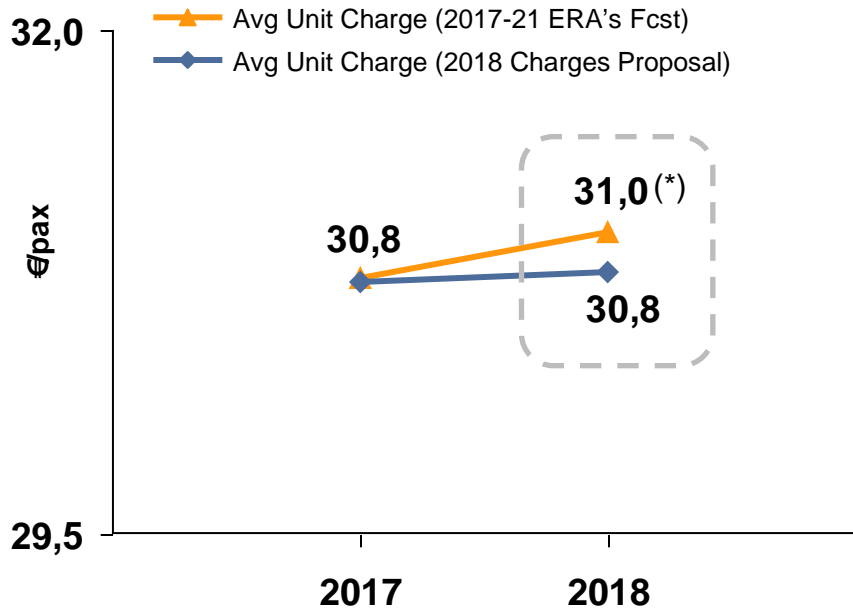


- In 2013-18 CIA's unit charge (reg revenues / paying pax) show a 1,9% avg decline calculated as CAGR (from €16,7/pax to €15,2/pax)
- A ratio of regulated revenues to paying passengers on each year's actuals provide results that in 2013-16 have exceeded allowable revenues to pax on ERA's fcst (fcst provided for at ERA's inception in 2012): this is due mainly to some capex interventions that were deemed necessary in 2014-15 but were not included in original ERA's fcst
- CIA's charges proposal for 2018 is predicated – among others – on an inflation est of 1,5%
- 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 a more accurate correlation to the specific costs (pls see update of Annex 9 to ERA for more)

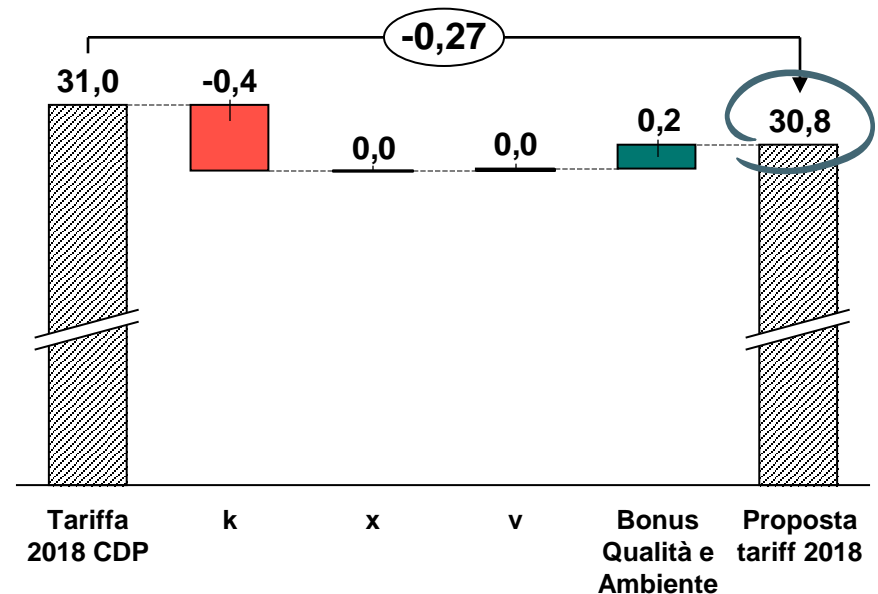
(*) Actual revenue / pax (calendar year) for 2013 reflects the two-month period (Jan-Feb) during which ERA was not yet implemented

FCO: 2018 Charges Update vs ERA's Fcst (2017-21 Tariff Proposal)

FCO 2018 vs 2017



FCO 2018 vs CDP 2018, deviation

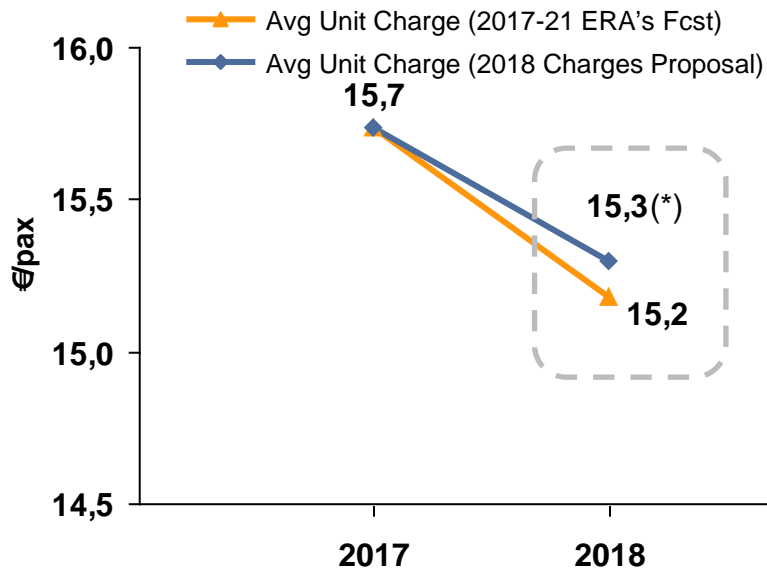


- FCO's avg regulated charges for 2018 are seen broadly in line relative to current year's level and declining (€30,8/pax vs €31,0/pax) relative to 2018 fcst published for the ERA's update of 2017-21 and shared with users during the consultation process of last year
- This occurs in spite of the achievement of a bonus for the outperformance on quality and environmental targets that is consequently accounted for in the charges proposal (0,16/pax), whilst was not foreseen in last year's fcst
- Both *baskets* – ie. «pax» accounting for 73% of total and «avio» -- show minimal changes relative to the levels currently in application

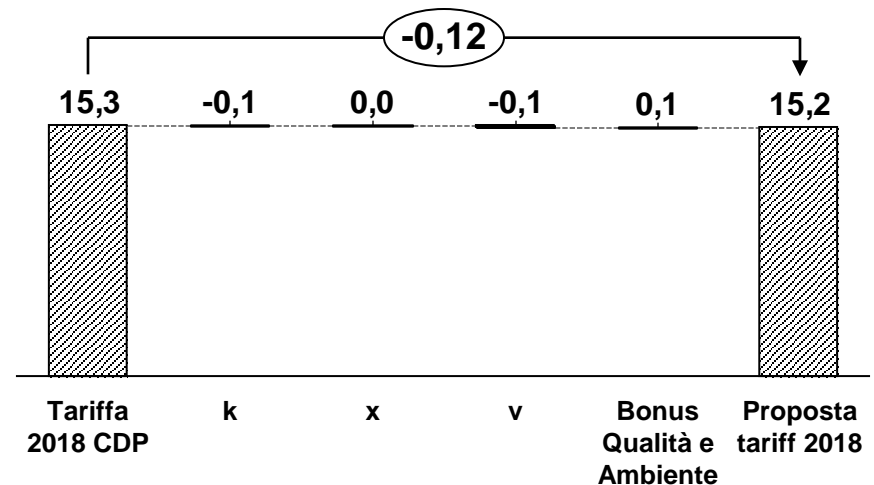
(*) excludes bonus / malus on quality and environmental protection performance indicators

CIA: 2018 Charges Update vs ERA's Fcst (2017-21 Tariff Proposal)

CIA 2018 vs 2017 (€/pax)



CIA 2018 vs CDP 2018, deviation (€/pax)

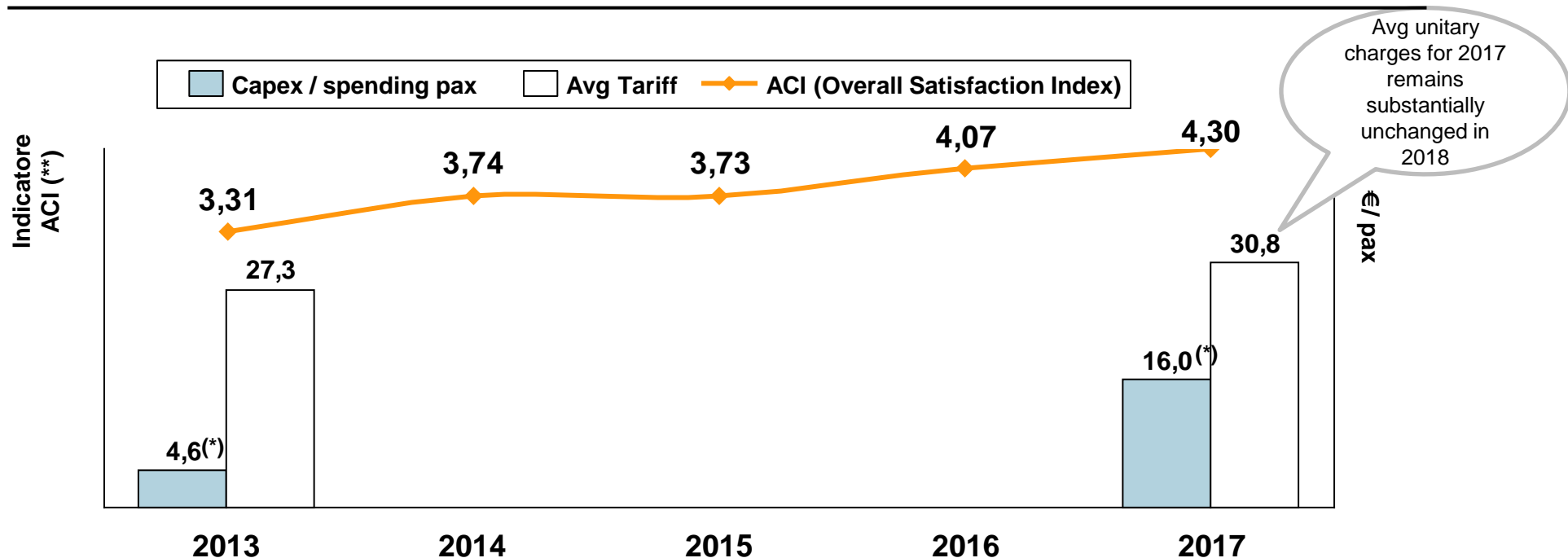


- CIA's avg regulated charges for 2018 are seen further declining relative to current year's level (-€0,55/pax or -4%) and lower than 2018 fcst (€15,2/pax vs €15,3/pax) published for the ERA's update of 2017-21 and shared with users during the consultation process of last year
- This occurs in spite of the achievement of a bonus for the outperformance on quality and environmental targets that is consequently accounted for in the charges proposal (0,08/pax), whilst was not foreseen in last year's fcst

(*) excludes bonus / malus on quality and environmental protection performance indicators

Rises in tariff to reflect significant growth in capex spending and quality

FCO: Tariffs Linked with Capex / Quality Achievements in 2013-2018



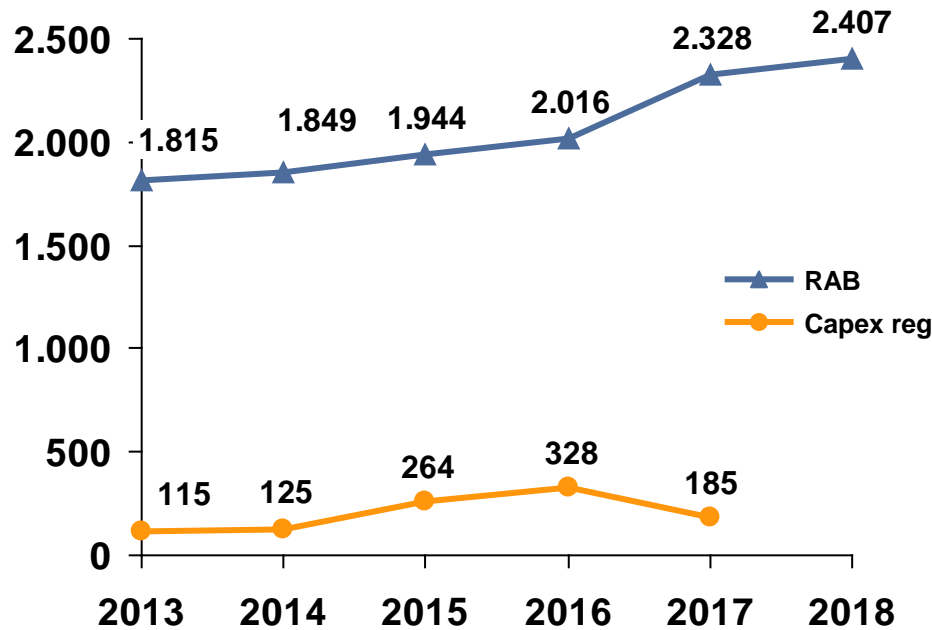
- ERA's rules correlate tariff evolution to the costs of the services and have allowed the launch of a significant capex plan and a staggering improvement in quality of service: evolution in regulated charges at ADR reflects the significant pick-up in capex spending witnessed since 2012
- Between 2013 and 2018 the witnessed rise in charges (120bp above inflation) can be compared with: i) a capex to pax ratio which escalates from 4,6 (as for the 2011-2013 3-yr period) to 16,0 (as for the 2015-2017 3-yr period) and ii) staggering improvement in ACI's *overall satisfaction index* to position FCO well within EU's top players on quality of the service
- Calculated net of costs resulting for ADR from new security standards/obligations, in the period 2001-18 the average charge of FCO is seen rising by 100bp above the rate of inflation, against a backdrop of significant increase in capex spending and quality achievements (or 150bp above inflation rate if calculated gross of abovesaid costs, i.e. on actual avg charges)

(*) Avg value for the period 2011-13 and 2015-17

(**) *Overall Satisfaction Index* is measured by ACI Europe to evaluate the passenger satisfaction and is yearly updated by continuously monitoring 34 parameters of the perceived quality of service in more than 300 European airports.

RAB in 2013-2018

RAB (*) and Capex in 2013-2018 (€mln)



Strategic Projects in Capex Plan in 2016-17

Intervento (**)	Anno	Entrata in esercizio		Opex K
		Alto	Medio	
Avancorpo T3	2016	X		X
BHS Molo E	2016	X		X
BHS T1	2016	X		X
Sistema aerostazioni est (piazzi 200)	2016	X		
Piazzi in area ovest 1ª fase	2017		X	
Macchine RX BHS T1	2016	X		
Sistema aerostazioni est (area check-in)	2017	X		

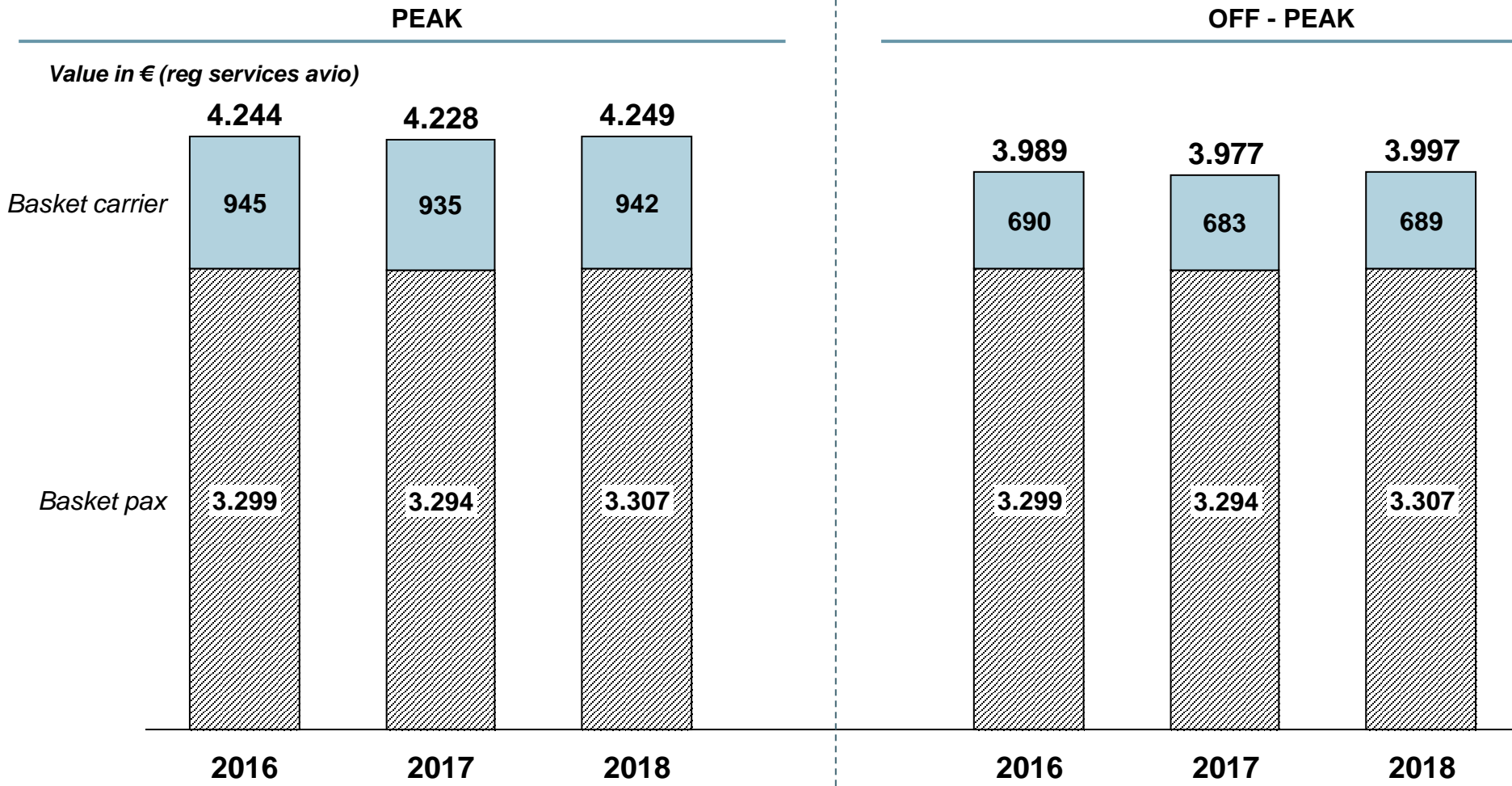
- At the onset of 2018 ADR's RAB is estimated equal to €2.41 bln vs «start RAB» (2013) of €1.81 bln (systemwide values, ie. FCO + CIA), corresponding to a 33% rise in the wake of capex outlays allocated to regulated services worth €1,02 bln (cumulated reg capex in the period 2013-2017)
- In 2018 the deployment of the capex plan is expected to give rise to a portion of the RAB (ca. 9% of total RAB) that will have the benefit of the incremental WaCC assigned on strategic capex
- 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 2018 charges proposal this item accounts for 1,5% of total allowable costs)

(*) beginning of year RAB

(**) please see annex 22 to the ERA for more details on projects and methodology

FCO: Aircraft scenario, EU

Hp: A320, 74 Mton, 79% LoadFactor (136 pax), usage of Loading Bridge



FCO: Aircraft scenario, exEU

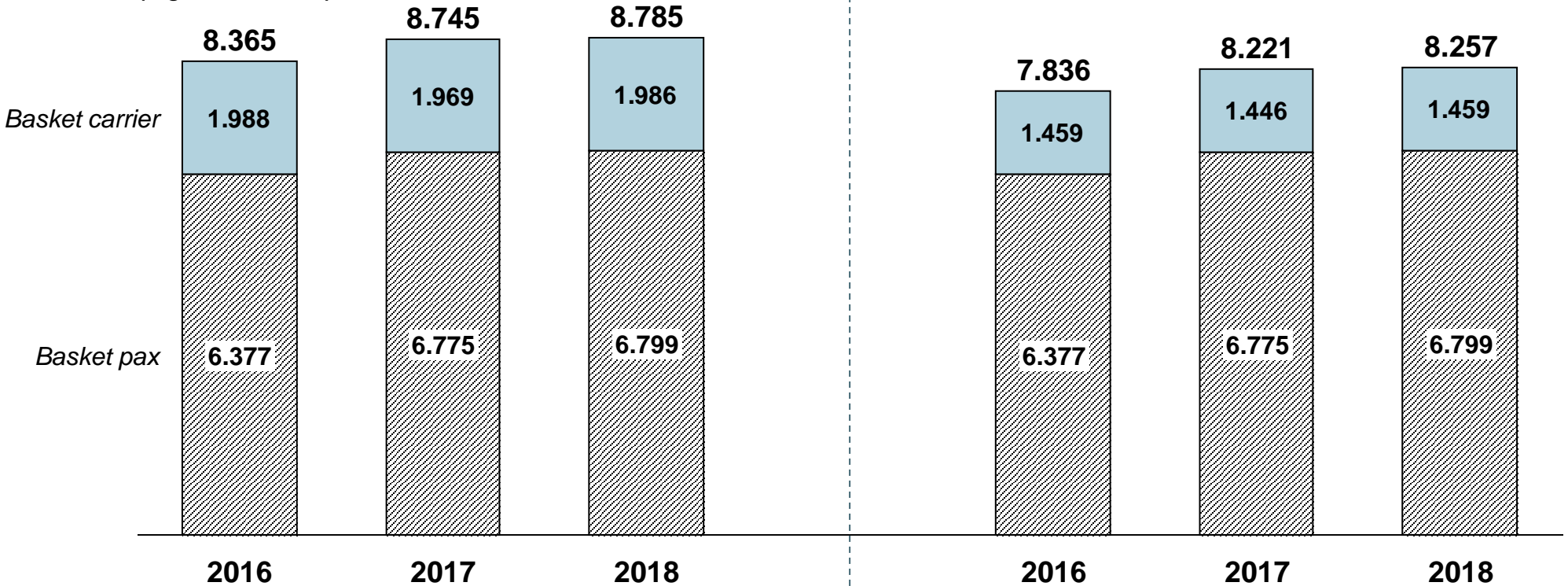
Hp: A332, 231 Mton, 75% LoadFactor (194 pax), usage of Loading Bridge



PEAK

OFF - PEAK

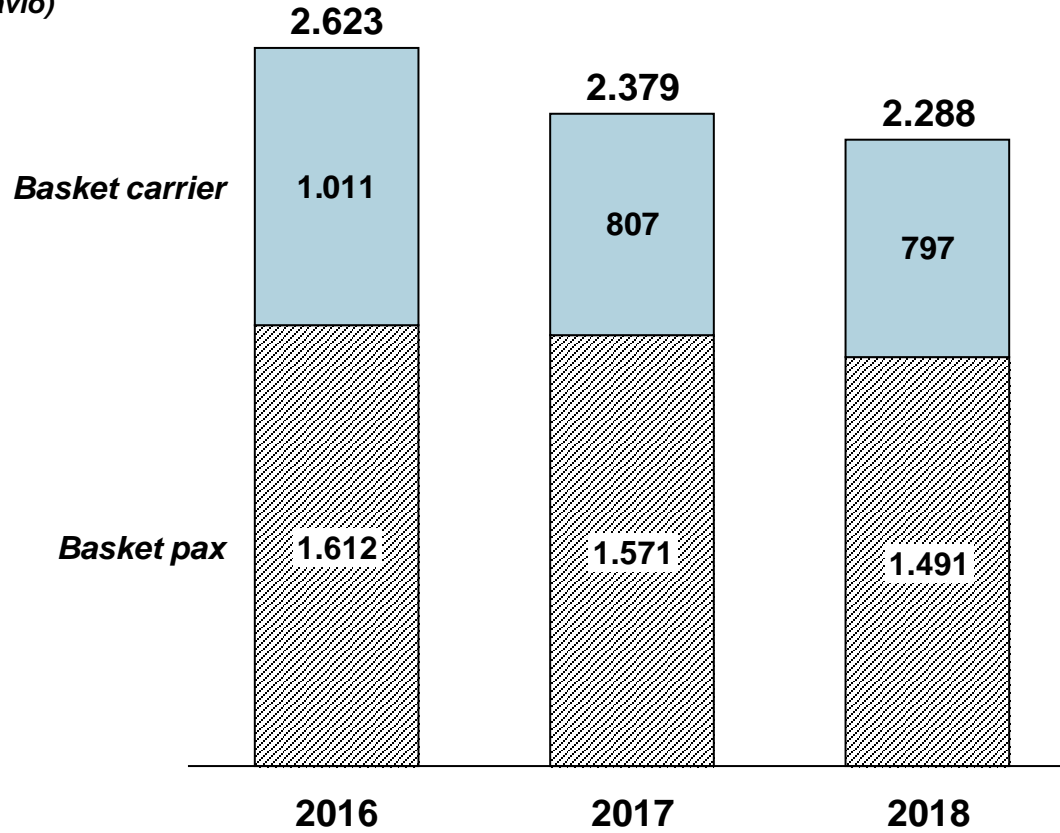
Value in € (reg services avio)



CIA: Aircraft scenario, EU

Hp: Boeing 737, 67 Mton, 85% LoadFactor (161 pax)

Value in € (reg services avio)



Proposal of 2018 Charges

Allowable Costs and Tariff Parameters Information on ADR's Economic Regulation Agreement

2015 – 2016 Revenue Breakdown

CONTABILITA' REGOLATORIA: RICAVI						
(valori in €/mila)						
	FIUMICINO		CIAMPINO		SISTEMA	
	2015	2016	2015	2016	2015	2016
Diritti di Approdo e Partenza	98.389	116.613	19.587	19.050	117.976	135.663
Diritti di Sosta e di Ricovero	4.967	5.627	685	719	5.652	6.346
Diritti di imbarco passeggeri	296.877	333.258	17.074	16.417	313.951	349.675
Tasse di imbarco e sbarco merci	2.329	2.644	300	302	2.629	2.946
Controllo passeggero e bagaglio a mano	43.612	48.846	5.388	5.388	49.000	54.234
Controllo bagaglio da stiva	29.937	32.452	4.619	4.318	34.556	36.770
Pontili d'imbarco/sbarco passeggeri	13.054	17.550	-	-	13.054	17.550
De-icing	21	12	5	9	26	21
Banchi Check In	10.468	11.672	492	421	10.961	12.093
Lost & Found	276	255	9	9	285	264
Uffici e Locali operativi	8.496	8.256	817	756	9.313	9.012
Impianti centralizzati di stoccaggio delle merci (ETV)	164	124	-	-	164	124
Assistenza PRM	14.825	17.394	495	431	15.319	17.825
TOTALE SERVIZI REGOLAMENTATI	523.416	594.705	49.471	47.819	572.886	642.524
TOTALE SERVIZI NON REGOLAMENTATI	181.072	205.799	11.673	11.469	192.744	217.268
TOTALE NON PERTINENTI	-	-	-	-	47.621	6.830
TOTALE RICAVI	704.487	800.504	61.143	59.288	813.251	866.622

2015 – 2016 Operating Costs Breakdown

CONTABILITA' REGOLATORIA: COSTI OPERATIVI						
(valori in €/mila)						
	FIUMICINO		CIAMPINO		SISTEMA	
	2015	2016	2015	2016	2015	2016
COSTI OPERATIVI (inclusa IRAP sul costo del Lavoro)						
Diritti di Approdo e Partenza	35.361	36.228	6.415	5.182	41.776	41.410
Diritti di Sosta e di Ricovero	837	1.076	323	288	1.160	1.364
Diritti di imbarco passeggeri	132.416	133.668	8.661	9.829	141.077	143.497
Tasse di imbarco e sbarco merci	1.128	1.126	123	132	1.251	1.258
Controllo passeggero e bagaglio a mano	43.074	49.470	6.159	6.717	49.234	56.187
Controllo bagaglio da stiva	17.867	15.674	2.099	2.096	19.967	17.770
Camera di simulazione	27	21	-	-	27	21
Pontili d'imbarco/sbarco passeggeri	6.468	6.593	-	-	6.468	6.593
De-icing	43	55	87	121	130	176
Banchi Check In	2.801	2.701	331	304	3.132	3.004
Lost & Found	89	45	2	2	91	46
Uffici e Locali operativi	3.374	3.666	255	377	3.629	4.043
Impianti centralizzati di stoccaggio delle merci (ETV)	60	95	-	-	60	95
Assistenza PRM (*)	16.269	16.997	516	529	16.785	17.526
TOTALE SERVIZI REGOLAMENTATI	259.815	267.414	24.973	25.576	284.788	292.991
TOTALE SERVIZI NON REGOLAMENTATI	55.757	65.604	4.172	4.806	59.929	70.411
TOTALE NON PERTINENTI					48.278	3.991
TOTALE SERVIZI REGOLAMENTATI SISTEMA	315.571	333.019	29.145	30.383	392.994	367.393

(*) intercompany charge from ADR Assistance, thus not relevant for tariff making purposes

2015 – 2016 Invested Capital Breakdown

CONTABILITA' REGOLATORIA: CAPITALE INVESTITO NETTO (*)		
(valori in €/mila)		
SCALO DI FIUMICINO	2015	2016
Diritti di Approdo e Partenza	485.290	531.391
Diritti di Sosta e di Ricovero	9.320	10.805
Diritti di imbarco passeggeri	1.029.123	1.097.201
Tasse di imbarco e sbarco merci	1.379	1.512
Controllo passeggero e bagaglio a mano	29.352	32.499
Controllo bagaglio da stiva	56.057	68.899
Camera di simulazione	152	140
Pontili d'imbarco/sbarco passeggeri	43.699	53.714
Banchi Check In	19.228	19.930
Lost & Found	1.750	795
Uffici e Locali operativi	81.161	76.775
Impianti centralizzati di stoccaggio delle merci (ETV)	3.721	9.258
TOTALE SERVIZI REGOLAMENTATI FIUMICINO	1.760.232	1.902.919
SCALO DI CIAMPINO	2015	2016
Diritti di Approdo e Partenza	72.624	76.779
Diritti di Sosta e di Ricovero	901	688
Diritti di imbarco passeggeri	25.839	25.732
Tasse di imbarco e sbarco merci	1.045	1.035
Controllo passeggero e bagaglio a mano	1.352	1.249
Controllo bagaglio da stiva	4.288	4.066
Banchi Check In	643	619
Lost & Found	26	15
Uffici e Locali operativi	2.745	2.578
TOTALE SERVIZI REGOLAMENTATI CIAMPINO	109.463	112.760
TOTALE SERVIZI REGOLAMENTATI SISTEMA	1.869.695	2.015.680
TOTALE SERVIZI NON REGOLAMENTATI SISTEMA	1.409.233	1.428.668
TOTALE SERVIZI NON PERTINENTI SISTEMA	-	1.162

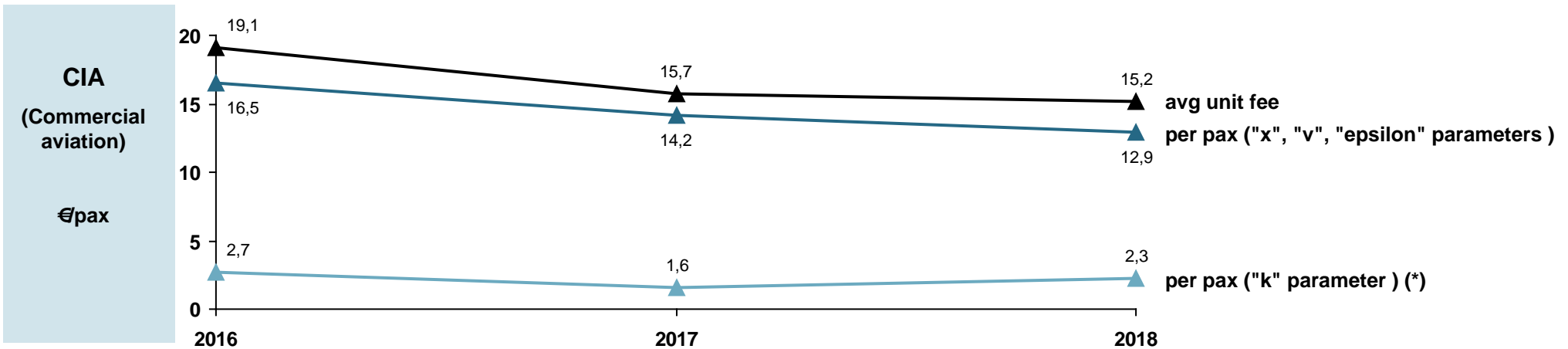
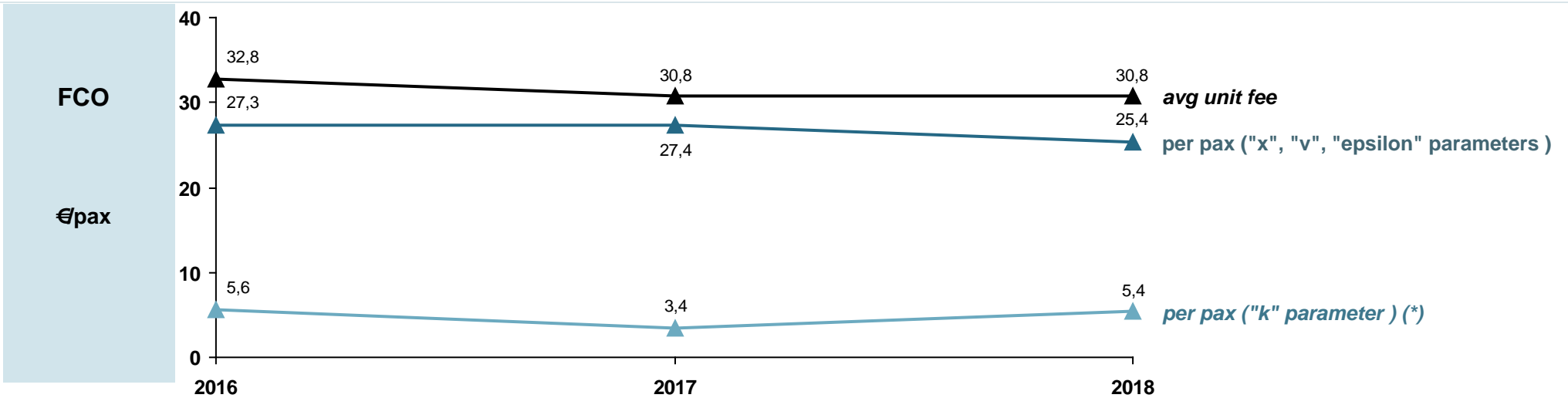
(*) table shows financials of ADR SpA (thus excludes invested capital of ADR Assistance which is relevant for RMP fee)

2016 Allowable Costs' Breakdown

CONTABILITA' REGOLATORIA 2016: COSTI AMMESSI					Co. Re. 2015
(valori in €/mila)					
SCALO DI FIUMICINO	COSTI OPERATIVI	AMMORTAMENTI	REMUNERAZIONE	TOT. COSTI 2016	TOT. COSTI 2015
Diritti di Approdo e Partenza	36.228	28.974	63.605	128.807	101.859
Diritti di Sosta e di Ricovero	1.076	803	1.322	3.201	2.436
Diritti di imbarco passeggeri	133.668	58.163	133.194	325.025	276.729
Tasse di imbarco e sbarco merci	1.126	120	184	1.429	1.353
Controllo passeggero e bagaglio a mano	49.470	3.853	3.940	57.263	48.798
Controllo bagaglio da stiva	15.674	3.464	8.529	27.668	26.528
Camera di simulazione	21	9	17	47	49
Pontili d'imbarco/sbarco passeggeri	6.593	5.031	6.477	18.101	13.136
De-icing	55	-	-	55	43
Banchi Check In	2.701	1.449	2.390	6.540	5.676
Lost & Found	45	50	95	190	343
Uffici e Locali operativi	3.666	4.276	9.263	17.204	14.618
Impianti centralizzati di stoccaggio delle merci (ETV)	95	6	1.103	1.203	381
Assistenza PRM (*)	16.997	-	-	16.997	16.269
TOTALE SERVIZI REGOLAMENTATI FIUMICINO	267.414	106.198	230.118	603.731	508.218
SCALO DI CIAMPINO	COSTI OPERATIVI	AMMORTAMENTI	REMUNERAZIONE	TOT. COSTI 2016	TOT. COSTI 2015
Diritti di Approdo e Partenza	5.182	3.858	9.154	18.194	16.740
Diritti di Sosta e di Ricovero	288	111	82	480	628
Diritti di imbarco passeggeri	9.829	4.183	3.068	17.080	15.006
Tasse di imbarco e sbarco merci	132	77	123	333	296
Controllo passeggero e bagaglio a mano	6.717	161	149	7.027	6.432
Controllo bagaglio da stiva	2.096	361	484	2.941	2.830
De-icing	121	-	-	121	87
Banchi Check In	304	85	74	462	462
Lost & Found	2	1	2	5	7
Uffici e Locali operativi	377	331	307	1.016	825
Assistenza PRM (*)	529	0	0	529	516
TOTALE SERVIZI REGOLAMENTATI CIAMPINO	25.576	9.169	13.443	48.188	43.829
TOTALE SERVIZI REGOLAMENTATI SISTEMA	292.991	115.367	243.561	651.919	552.047
TOTALE SERVIZI NON REGOLAMENTATI SISTEMA	70.411	49.282	120.010	239.702	229.563
TOTALE SERVIZI NON PERTINENTI SISTEMA	3.991	-	-	3.991	48.278
Costi Assistenza PRM - da c/economico di ADR Assistance Srl					
Fiumicino	16.449	472	124	17.046	15.898
Ciampino	445	6	1	452	458

(*) intercompany charge from ADR Assistance, thus not relevant for tariff making purposes

Tariff evolution reflects the development of the Investment Plan



▪ ERA provides for eligibility of costs of new capex within tariff dynamics only upon the advancement of works regularly verified by technical experts of the Civil Aviation Authority

(*) Submitted to annual reviews to verify annual advancements of works

«x», «k» and «v» parameters in the proposal of charges update for 2018

Parametro "x" (*)	Parametro "k" (**)				Parametro "v" (***)				
	2017-2021	2017 CdP	2018 CdP	2017 ACT	2018 FRC	2017 CdP	2018 CdP	2017 ACT	2018 FRC
FIUMICINO									
Diritti di Approdo e Partenza	8,1%	5,9%	12,7%	5,8%	8,3%	1,6%	1,9%	1,5%	1,8%
Diritti di Sosta e di Ricovero	7,7%	22,6%	35,0%	22,1%	24,0%	-3,8%	0,0%	-3,8%	-0,1%
Diritti di imbarco passeggeri	4,7%	15,8%	8,5%	16,2%	7,0%	-0,7%	0,0%	-0,7%	0,1%
Tasse di imbarco e sbarco merci	2,5%	10,8%	12,7%	10,5%	8,7%	-1,5%	0,0%	-1,6%	-0,1%
Controllo passeggero e bagaglio a mano	2,3%	5,5%	3,4%	5,3%	3,4%	0,7%	0,0%	0,6%	-0,1%
Controllo bagaglio da stiva	2,9%	21,6%	8,6%	28,5%	7,0%	0,3%	0,0%	0,2%	1,6%
Camera di simulazione	2,1%	11,8%	8,1%	11,2%	7,5%	3,4%	0,0%	2,6%	0,1%
Pontili d'imbarco/sbarco passeggeri	13,4%	11,1%	7,8%	11,6%	6,1%	-0,6%	0,0%	-0,6%	0,1%
De-icing	0,8%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Banchi Check In	4,5%	11,3%	20,2%	10,5%	17,3%	-1,7%	0,0%	-2,2%	-0,9%
Lost & Found	4,4%	13,3%	9,3%	12,8%	9,0%	-4,5%	0,0%	-4,6%	-0,2%
Uffici e Locali operativi	3,9%	13,3%	9,8%	13,1%	7,2%	-1,0%	0,0%	-1,0%	-0,1%
Impianti centralizzati di stoccaggio delle merci (ETV)	2,1%	0,4%	3,1%	0,5%	2,2%	0,1%	0,0%	0,0%	0,0%
CIAMPINO									
Diritti di Approdo e Partenza	5,7%	16,3%	8,5%	16,0%	4,4%	0,2%	0,7%	0,0%	0,5%
Diritti di Sosta e di Ricovero	3,7%	2,9%	2,8%	2,5%	5,5%	-0,2%	-0,3%	-0,5%	-0,6%
Diritti di imbarco passeggeri	8,7%	10,2%	5,7%	8,7%	5,2%	0,3%	-0,2%	0,0%	-1,1%
Tasse di imbarco e sbarco merci	6,6%	14,5%	7,4%	14,0%	5,2%	-0,3%	-0,2%	-0,8%	-0,6%
Controllo passeggero e bagaglio a mano	1,0%	3,7%	1,4%	2,9%	1,9%	0,2%	-0,1%	0,1%	-0,3%
Controllo bagaglio da stiva	3,2%	3,2%	2,8%	2,9%	28,7%	0,3%	-0,2%	0,0%	-0,4%
De-icing	-0,6%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Banchi Check In	3,7%	10,4%	5,8%	6,9%	4,9%	0,9%	0,0%	0,3%	-1,8%
Lost & Found	7,5%	22,5%	16,5%	22,0%	5,1%	-0,7%	-0,1%	-0,9%	-0,4%
Uffici e Locali operativi	8,9%	29,7%	7,8%	24,4%	11,8%	-0,1%	-0,2%	-0,8%	-2,1%

(*) The parameter "x" remains unchanged in the period 2017-2021; (**) the «k» parameter accounts for actual values of the relevant Capex e Opex expenditures; (***) the «v» parameter takes into account adjustments for differences between year-end accounts and preliminary figures and the deviation from the forecasts values for the contribution to the national Firefighters Fund

- **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. 2018 (from March) represents the second year of ADR's second five-year period under ERA rules.

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 start 2018 RAB amounted 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 proposed **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)

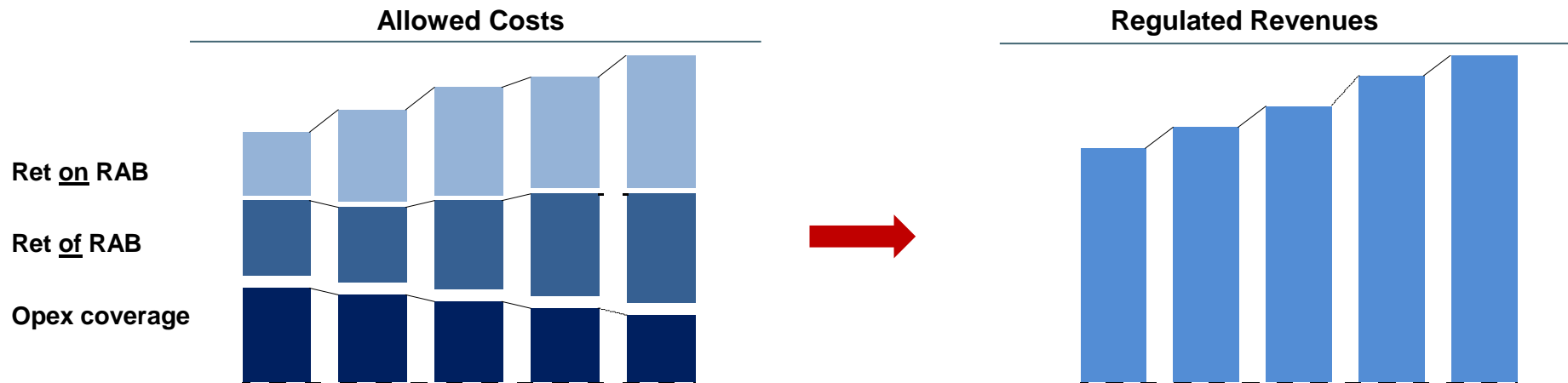
Actual traffic vs forecast traffic

- **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

- □ The tariff of year i within each 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

Updating the allowed cost of capital for ERA's second 5-yr period: ADR's WACC in 2017-21

WACC periodo regolatorio 2017-2021

(a) Tasso di rendimento delle attività prive di rischio	2,82%
(b 1) Premio al debito	1,99%
(b 2) Costo aggiuntivo emissione debito	0,30%
(c) Costo del capitale di debito = $(a+b1+ b2)$	5,11%
(d) Aliquota fiscale effettiva	37,41%
(e) Tax shield	27,50%
(f) Costo del capitale di debito pre-tax = $c*(1-e)/(1-d)$	5,92%
(g) Equity Risk Premium	5,0%
(h) Gearing	57,0%
(i) Leva finanziaria (D/E)	1,33
(l) Asset beta	0,57
(l1) Beta addizionale	0,30
(m) Equity beta = $l * (1+i*(1-e)) + l1$	1,41
(n) Costo del capitale di rischio post-tax = $a+(g*m)$	9,9%
(o) Costo del capitale di rischio pre-tax = $n/(1-d)$	15,8%
(p) Wacc pre-tax nominale = $f * h+o*(1-h)$	10,15%
(q) Wacc post-tax nominale = $p * (1-d)$	6,35%
(r) Tasso di inflazione	1,50%
(s) Wacc pre-tax reale = $(1+p)/(1+r) - 1$	8,52%

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

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

Operating costs as 'allowable' costs in tariff updates

- 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 (v. table; avg. elasticity "weighted" by nature of cost is 0.56); they would be asked to be zero in case of negative changes in traffic estimates in the five years
 - P is the first gov't inflation (as represented in 'DEF' issued in the 'base year', i.e. 1.5%)
 - "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

Costi Operativi	Elasticità
Costo del lavoro <input type="text"/>	0,60
Materiali di consumo	0,30
Manutenzioni	0,80
Pulizie	0,35
Utenze	0,40
Prestazioni da terzi	0,40
Spese generali	0,40
Godimento beni di terzi	0,40