



2022 PRM
Proposal of charges update

Question & Answer

Dec. 2021

Q 01: How many staff were furloughed/put on unemployment per month in 2020-2021? What was the cost savings as a result? Were there any changes in employment conditions (e.g. move from full time to part time)?

A 01: In line with traffic trends, staff in furlough were about 107 FTEs in 2020 and 79 FTEs in 2021. The related cost saving was about 3,1M€ in 2020 and 2,3M€ in 2021, 34% and 26% of allowed costs, respectively



Q 02: As a result of the pandemic, were there any permanent staff reductions? Are any planned?

A 02: At the beginning of pandemic period an incentivised retiring plan was activated by the Company covering 11 FTE, 4% of ADRA's workforce



Q 03: Why are number of assistances per FTE so low in 2021? What are your efficiency objectives for 2022?

A 03: In 2021 productivity is growing by 13% as per previous year; however it's affected by some items:

- the configuration of the terminal, which influences the length of distances and increases the average time spent to assisting each PRM
- the large use of loading bridges that implies an higher ratio between number of operators and PRM assisted, especially for aircraft rotations at 30/35 minutes
- As for workshift between valleys and peaks, after the start of pandemic we have to withstand a more volatile volumes trend with very low volumes during valley.



Q 04: What is the split of FTE between different activities? (How many are administration vs. actual service delivery?) How has this evolved between 2019 and now?

A 04: About 98.8% of the company's workforce is dedicated to operational activities. G&A staff currently stands at 3.8 FTE, in 2019 it was 4.8 FTE



Q 05: In the ENAC note 0080054 of 24.08.2020, is the accumulated deficit required to be recovered over two years? Or can it be done over a longer period?

A 05: ENAC's note does not provide for specifications as to the duration, nor a specific calculation of losses recovery
ADR has already manifested intention to spread losses over a number of years to reduce users' burden



Q 06: Did ADR or ADR Assistance benefit from any government assistance schemes other than unemployment subsidies? How much were they worth?

A 06: No other incentive schemes or subsidies for ADR Assistance. ADR is eligible to participate in the sectorwide recovery fund set up to compensate a fraction of the COVID deficit (losses incurred in the months of legal traffic limitations)



Q 07: What is the source of the forecast number of passengers for 2022?

A 07: Our method involves (i) clustering passengers into different segments based on travelling demand, (ii) monitoring the evolution of pandemic KPI (occupancy ICU, trend of vaccination campaign, ecc), (iii) tracing rate of recovery for each airlines in Europe and (iv) simulating different resulting scenarios.

More in detail, traffic volumes and other information are recorded at regular time intervals (including request made yearly by ADR to airlines in the consultations framework) and in addition compared with forecasts of IATA, Eurocontrol and ACI

The difference between the rate of recovery assumed by ADR and Eurocontrol's is mostly due to the different path of recovery in Europe and between airports with different exposure to Extra-UE and Intercontinental flows

Furthermore, the latest data available from Eurocontrol show a strong drop in the curve of recovery in December underlining the high volatility in traffic forecast scenarios: unfortunately, much uncertainty still surrounds the recovery of the aviation industry



Q 08: What is the debt/equity ratio of ADRA since creation?

A 08: ADRA does not hold any (meaningful) financial debt as it uses ADR to fund its cash imbalances through the year and this comes at virtually zero cost for the users

Equity has evolved as it can be seen in one the presentation slides in the wake of dividend distribution: only in 2015 dividends were distributed to the parent company ADR relating to the net profit for 2014 and previous years (about 2.5 million euros). No more dividends were distributed in the period and all profits have been invested on service improvements



Q 09: Please provide the details of any dividends/distribution or interest payments since the creation of ADRA to understand whether the “shareholder’s equity” presented corresponds to the initial capital injection or to the amount net of distributions.

A 09: On dividend stream please refer to former answer. Please note however that ADRA’s revenues are NOT linked to “P x Q” price-cap formula of yearly consultations of tariff updates. ADRA revenue in fact is the result of an update of assistance cost that is run every year (or every quarter if need be) between ADR and ADRA (as highlighted in one of the presentation slides).

Consequently, dividends do NOT represent excess cash flows from users BUT a rebalance of cash flows between ADR and ADRA in case ADRA runs a surplus at the agreed assistance cost for ADR

A theoretical “PRM service profit and loss” would match revenues from applicable regulated charge and costs from ADRA and would result in net result equivalent to ADRA’s RAB (around €1,2 mln) time allowed post-tax cost of capital, a value equivalent to 0,42% of 2022 equilibrium costs.



Q 10: What is the calculation of the cost of capital? (parameters of the CAPM method as per LG–2018/001)

A 10:

Regulatory Period:		2017- 2021	2022 - 2026
Risk Free Rate	[1]	2,82%	0,73%
Debt premium	[2]	1,99%	2,57%
Additional costs of debt	[3]	0,30%	0,00%
Total cost of debt	[4] [1]+[2]+[3]	5,11%	3,29%
Tax rate	[5]	37,41%	28,82%
Tax shield	[6]	27,50%	24,00%
Pre-tax cost of debt	[7] $[4] \times (1 - [6]) / (1 - [5])$	5,92%	3,52%
Equity Risk Premium	[8]	5,00%	6,01%
Gearing (D/(D+E))	[9] $1 / (1 + [10])$	0,57	0,68
Gearing (D/E)	[10]	1,33	2,10
Asset Beta	[11]	0,57	0,83
Additional Beta	[12]	0,30	0,15
Equity Beta	[13] $[11] \times (1 + [10] \times (1 - [6])) + [12]$	1,41	2,30
Post-tax cost of equity	[14] $[1] + ([8] \times [13])$	9,87%	14,54%
Pre-tax cost of equity	[15] $[14] / (1 - [5])$	15,77%	20,43%
Pre-tax nominal WACC	[16] $[7] \times [9] + [15] \times (1 - [9])$	10,15%	8,98%
Post-tax nominal WACC	[17] $[16] \times (1 - [5])$	6,35%	6,39%
Inflation	[18]	1,50%	1,50%
Pre-tax real WACC	[19] $(1 + [16]) / (1 + [18]) - 1$	8,52%	7,37%



Q 11: How many assistances do you expect to have in 2022? How much is the cost per single assistance in 2021 and 2022 and what measures have been taken to keep it as close as possible to pre-pandemic costs?

A 11: In 2022 we expect to have about 185k assistance on FCO: exactly 185.157 were estimated in the scenario used to calculate the charges. It corresponds to 8,5 assistances / thousand pax

Cost for assistance (Total cost slide page 20) A2020 = € 147.2; F2021 = € 117.3; F2022 = € 93.3. The main actions for cost containment were:

- Exodus incentive actions
- Continuous use of social safety nets
- Reduction of vehicles in operation and consequent reduction of maintenance costs
- Suspension of investments



Q 12: What is the level of productivity expected in 2022 and how the expected costs are justified for that level of productivity?

A 12: About 50 average assistance per month (49.5 on FTE FULL HR NET CIG)

Productivity in 2022 is conditioned by some factors, mostly of an infrastructural nature, including:

- The configuration of use of the airport which sees the prevalence of check-in operations in Terminal 1 with boarding in pier E which determines a substantial lengthening of the distances necessary to finalize the service. (in 2019, 60% of traffic was handled through pier B)
- The saturation in the use of loading bridges for boarding and disembarking operations for which a higher ratio between the number of operators and the number of assistance is envisaged than in remote stand operations, especially for aircraft rotations at 30/35 minutes
- The distribution of operational activity, over the time slot, in 2019 was more homogeneous with a more harmonious alternation of peaks and valleys; since the beginning of the pandemic there have been 4 very intense operational peaks alternating with very low valleys that negatively affect productivity
- The resumption of activity, also due to the scenario described above and the consequences of the pandemic (infections, green pass) resulted in an increase in absenteeism of 8 p.p. which in previous years was compensated by the continuous presence of CTD personnel



Q 13: Has any furlough schemes being used during COVID? How many people has been put in furlough? For how many hours/day?

A 13: During the period of the pandemic, various forms of social safety nets were used in line with the opportunities offered by national legislation. Social safety nets are still active today and for part of 2022.

In 2020 the redundancy fund in derogation became available after the disposal of previous holidays, therefore, use took place from June 2020. The hours used amounted to 109 fte on an annual basis (Data SYS, FCO approximately 107 fte). In 2021, due to the normalization of traffic, the use of social safety nets was equal to approximately 79 fte / year.



Q 14: We see that salaries decreases in 2020 (-25% yoy): can we expect that trend to continue going forward or are those just temporary measures? What are the efficiency permanent measure you intend to take forward in a post-pandemic environment, starting from 2022?

A 14: In reality, personnel costs in 2020 decreased by 42% y / y compared to 2019 (see slide page 18) due to the containment actions described above.



Q 15: How many overhead/administrative FTE do you have? What is their difference in costs?

A 15: Our administrative and staff structure is made up of 3.8 fte (taken before the use of social safety nets). The staff is dedicated to shift planning and training and account for approximately 1.2% of the labor costs of ADR Assistance . The other general services are provided in service by the parent company ADR.



Q 16: How many FTE do you expect to have in 2022?

A 16: The resources planned for 2022 are 323.6 fte on annual basis which, net of the social safety nets still in use until the summer, become approximately 311 fte / year



Q 17: What kind of new PRM consumers' trend you see in 2021 that will last in 2022 and forward? How costs have evolved according to new standards and demand from PRM passengers?

A 17: The pattern of demand for PRM services did not undergo substantial changes during the pandemic period. There was only a loss of 3 pp of the share of those booked vs 2019



Q 18: How many pre-notified and late notified PRM passengers did you have in 2020-21 and 2018-19?

A 18:

	P	NP
2019	62%	38%
2020	61%	39%
2021	59%	41%

It should be noted that between 2020 and 2021 the share of untimely booked, that is, those who ask for assistance directly at the check-in desk or when disembarking from the aircraft went from 7% to 13%.



Q 19: Information material remains below our standards and we would like to receive more detail on ADRA annual report

Please find attached a table which elaborates in 2020 cost details from the company's annual report

A 19 (1/2):

(Values expressed in € '000)

Statutory Summary	2020	Management Detail	Income statement 2020 (a)	Allowed Costs			
				System (b)	FCO	CIA	CHANGE compared to the income statement (c=b-a) ⁽¹⁾
6. For Raw Materials, Subsidiaries, Consumables and Goods	232	Personnel costs ⁽²⁾	9.390	9.487	9.253	234	97
7. For Services	1.778	Recovery of personnel costs ⁽³⁾	0	(91)	(70)	(22)	(91)
8. For Use of third party assets	172	IRAP	0	0	0	0	0
9. For Staff	8.992	Consumables	222	226	221	6	4
10. Depreciation, amortization and write-downs	509	Ordinary maintenance	240	240	234	6	0
12. Provisions for risks and charges	121	Cleaning	59	60	58	1	1
14. Other operating expenses	66	Utilities and Heating	205	206	201	5	0
		Provisions ⁽⁴⁾	121	0	0	0	(121)
		Services from third parties	716	702	684	17	(14)
		Professional Consultancy/Services	59	58	56	1	(2)
		Rentals/Fees/Leases	172	181	176	5	9
		Insurance companies	72	70	69	2	(1)
		General Expenses	105	103	100	3	(3)
		Depreciation ⁽⁵⁾	509	572	571	1	63
Total Production Costs	11.871	Total costs	11.871	11.812	11.553	259	(59)

2018	Determination of IRAP
8.992	Production Costs - B.9 - For Personnel
(8.428)	Personnel costs that are non-deductible for IRAP
564	Personnel costs that are non-deductible for IRAP
4,82%	IRAP tax rate (2020: negative taxable)

System	FCO	CIA
564	547	17
-	-	-

(1) Some differences of operating costs with respect to the financial statement values are due to revaluation updates of previous years, excluded from allowable costs

(2) The costs of personnel includes the reclassification of some costs for personnel services (canteen, transport, training, per diem, ect.)

(3) lower labour costs include recoveries for seconded personnel, or personnel employed in other services which are reported in the financial report in the value of production item

(4) Provisions for risks, financial and extraordinary charges are excluded from allowable costs

(5) Values deriving from the application of economics-technical amortization accruals; fixed asset are recognized in the year following the year of actual acquisition (annual revaluation)



Q 19: Information material remains below our standards and we would like to receive more detail

A 19 (2/2):

FIUMICINO Airport			
(€.000)	ACT 2020	FCST 2021	FCST 2022
Personnel costs	9.183	8.962	14.766
Consumables	221	218	330
Ordinary maintenance	234	258	306
Cleaning/Utilities	259	277	280
Services from third parties	684	693	736
Professional Consultancy/Services	56	44	42
Rentals/Fees/Leases	176	168	221
Insurance/General Expensive	169	133	151
Depreciation	571	476	443
Remuneration of Invested Capital	187	136	87
Total Costs FCO	11.740	11.365	17.360
RAB FCO	2.196	1.600	1.176
CIAMPINO Airport			
(€.000)	ACT 2020	FCST 2021	FCST 2022
Personnel costs	212	278	440
Consumables	6	7	10
Ordinary maintenance	6	8	9
Cleaning/Utilities	7	9	8
Services from third parties	17	22	22
Professional Consultancy/Services	1	1	1
Rentals/Fees/Leases	5	5	7
Insurance/General Expensive	4	4	5
Depreciation	1	2	1
Remuneration of Invested Capital	0	1	0
Total Costs CIA	259	336	504
RAB CIA	5	8	6
WaCC SYS	8,52%	8,52%	7,37%

