

# **2020 Charges: Proposal**

## **Introduction**

*August 2019*

- **2020 Charges: Key Issues**

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

# Regulated Charges Update for 2020

- 2020 represents the fourth year of the current 2017-21 regulatory period 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 rise of the average FCO charges (2017: 30.8 €/pax, 2021: 35.1 €/pax) due to the planned investments. Specifically for 2020, the average payment amount was expected to be 34.2 €/pax.
- The update of the 2020 charges now in consultation for FCO provides evidence of ADR's effort to optimize the investment plan for spending and timing in consideration of the actual demand for infrastructure at FCO. Adding to this, a review of timing of authorization procedures has contributed to reducing the level of 2018-2019 investment spending compared to the planned amounts. This results in a lower value of the «k»<sup>(1)</sup> parameter, which accounts for the largest part of a reduction of the average charge to 30.0 €/pax (4.2 €/pax below the ERA's forecasts for 2020).
- However, the investment plan in implementation leads to forecast increases in regulated charges for 2021 well above inflation rate. The expected increase will be a function of the actual finalization of the investments that in 2020 will be impacted by the completion of a significant portion of Hub East development.
- In the current scenario of investments and traffic volumes, moreover, the upward trend in charges in 2021 is expected to be followed by a significant decline at the start of the following 5-yr period (2022). This is due to the mechanisms of the 5-yr tariff evolution that ensures correlation between allowable costs and regulated revenues that in turn triggers a discontinuity in charges between a regulatory period and the other of a sign (+/-) opposite to that of the underlying traffic trend.
- ADR remains committed to studying and submitting to the competent authorities a possible application that – in compliance with the provisions of the ERA and consistent with the long-term evolution of “value for money” of the airport services to users – allows for recovery of service costs whilst at the same time mitigating the economic impacts on the airport users.

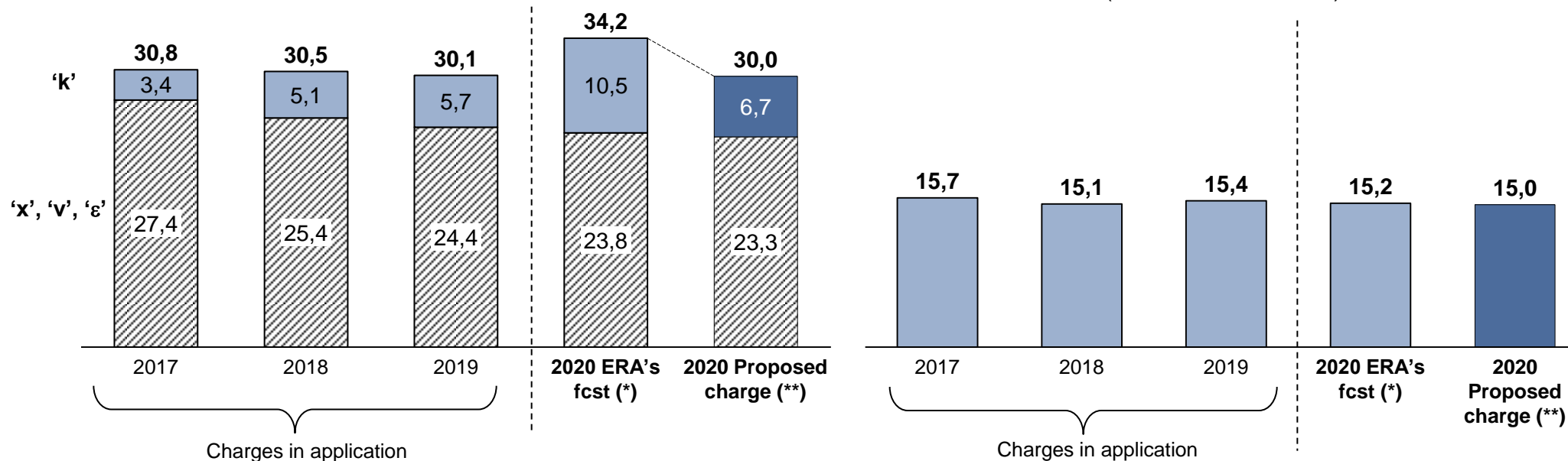
- As in previous years, the main elements included in the information set made available to airport users are ADR's proposal for updates to the charges for the services subject to regulation (Annex 9 of the ERA) and the progress of the investment plan, with particular reference to full year 2019 which impacts the «k» component of the proposal.
- As for 2019 forecasts, new investments point to a lower value than originally reported in the 2017-21 plan prepared in 2016 for the update envisaged by ERA. This results mainly from the authorization delays as well as optimizations / rescheduling in progress linked to the traffic scenario and to operational requirements.
- The remainder of the information set covers monitoring of quality and environmental protection indicators (Annex 10 of the ERA) which together constitute the «ε» component of the proposed charges: the performances achieved in the relevant 12-month period (July 2018-June 2019) lead to the recognition of the maximum bonus into calculating updated regulated charges.
- Even after the impact of the quality and environment bonus, the 2020 avg charge forecast for Fiumicino is in all cases lower than the ERA forecasts for same year (pls see 2017-21 ERA update): compared to avg charge currently applied, avg charge in proposal shows a modest decrease (about 0,4%).
- The 2019 charges for the commercial aviation of Ciampino are below both ERA's forecasts and those in application in the current year.

# 2020 charges update: Fiumicino and Ciampino

## FCO avg charge (€/paying pax)

## CIA avg charge (€/paying pax)

(Commercial aviation)



2020 regulated charges update for 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 (now 1,0% in place of 1,5% previously expected)

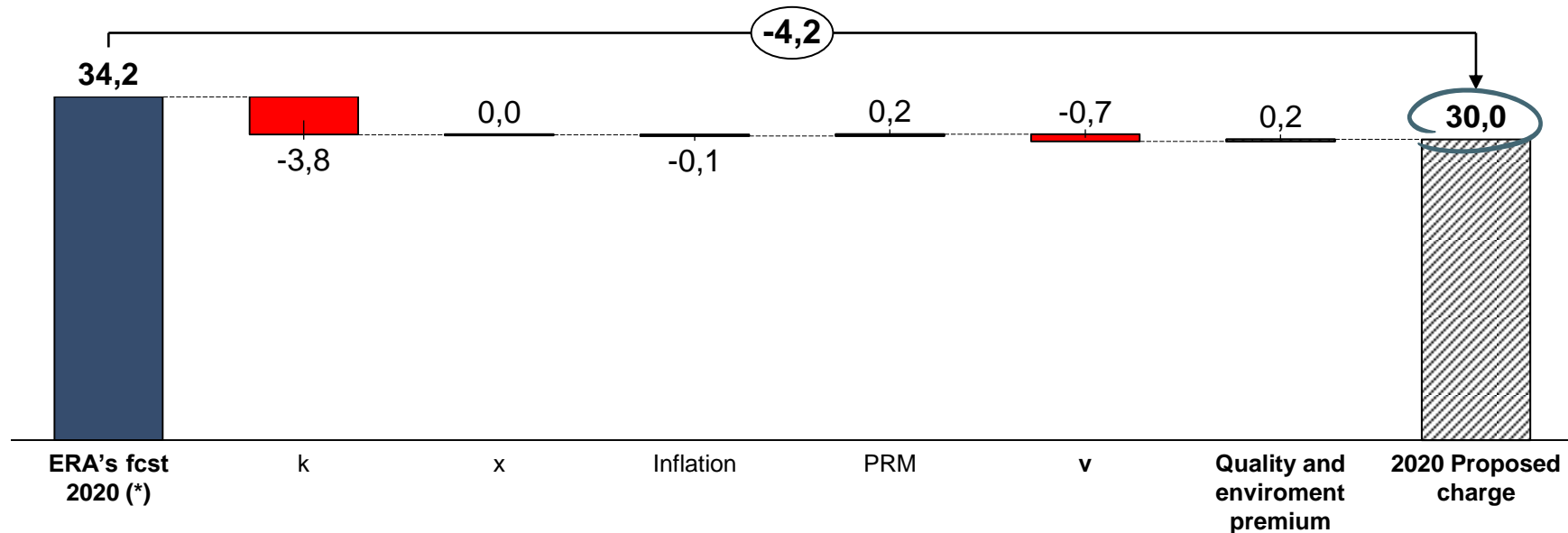
**2020 FCO avg unit charge of regulated services** stands at **30,0 €/pax** (incl. quality/environment premium) and shows a decline relative to current year's worth -0,1 €/pax and relative to ERA's fcst (value for 2020 as presented in 2016 at the start of 5-yr period) worth -4,2 €/pax

**2020 CIA avg unit charge of regulated services** stands at **15,0 €/pax** (incl. quality/environment premium) and shows a decline relative to current year's worth -0,4 €/pax and relative to ERA's fcst (value for 2020 as presented in 2016 at the start of 5-yr period) worth -0,2 €/pax

(\*) excluding quality and environment premium (\*\*) including quality and environment premium

# FCO: 2020 charges update vs ERA's forecasts

2020 FCO vs 2020 in ERA forecasts (€/paying pax)



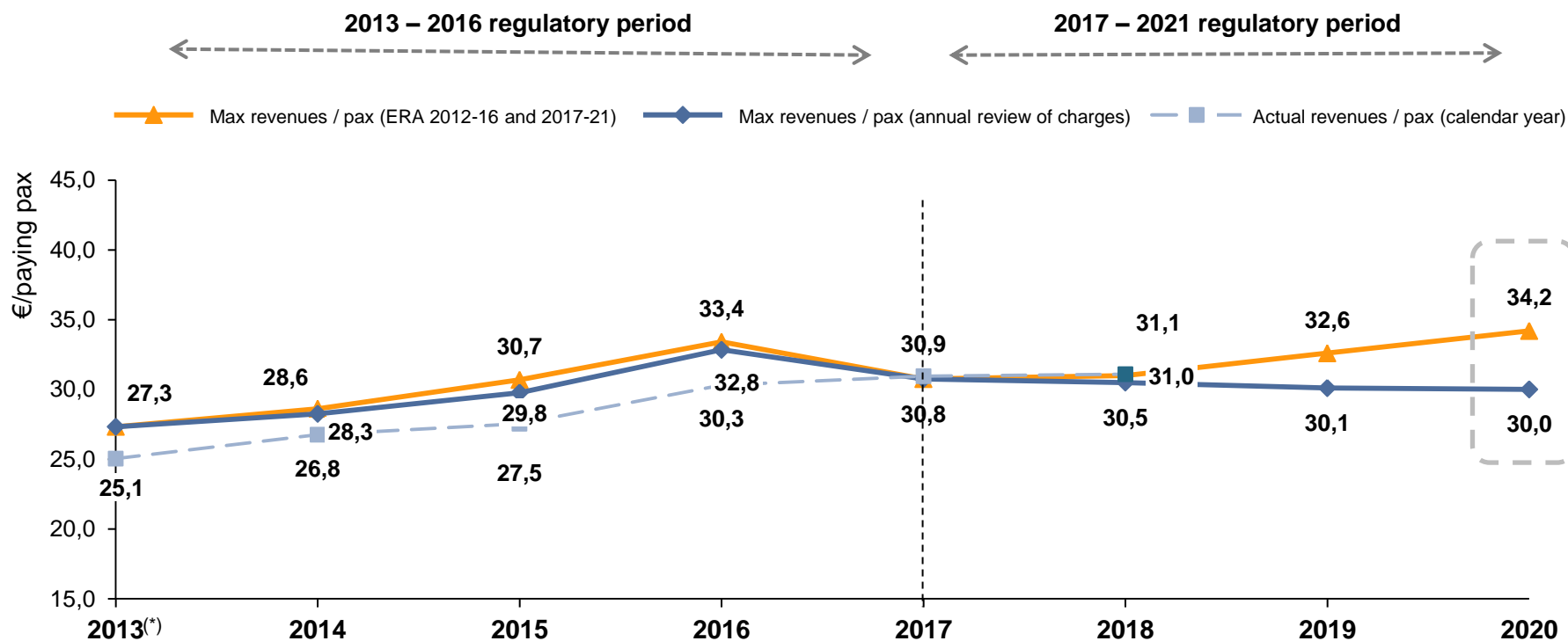
Relative to 2017-21 ERA's fcst for 2020, ADR's proposal for next year shows a lower avg regulated unit charge by 4,2 €/pax. This is due to:

- ✓ lower «k» component in the tariff formula, reflecting a difference between actual and fcst capex (approved by ENAC), worth -3,8 €/pax
- ✓ updating of inflation component in the price-cap formula, worth -0,1 €/pax (was 1,5% in ERA for 2017-21, but ADR adjusts it for yearly updates, hence down to 1,0% as from the latest estimate included in the govt's «DEF»(\*\*) of last April)
- ✓ increase in PRM charge relative to ERA fcst on higher costs for quality enhancements/higher assistance level not fully offset by rising volumes of paying passengers, worth a +0,2 €/pax (please see our presentation on PRM service for more details)
- ✓ adjustment items in tariff component «v» on updates of ADR's contribution to firefighting brigade fund and compensation for lower allowances in the wake of ENAC's monitoring activities on ADR's investment plan, worth -0,7 €/pax (art. 37 bis of ERA)

(\*) excluding quality and environment premium

(\*\*) Documento economia e finanza, 9 April 2019

# FCO 2013-2020: allowable revenue per pax vs ERA's forecasts

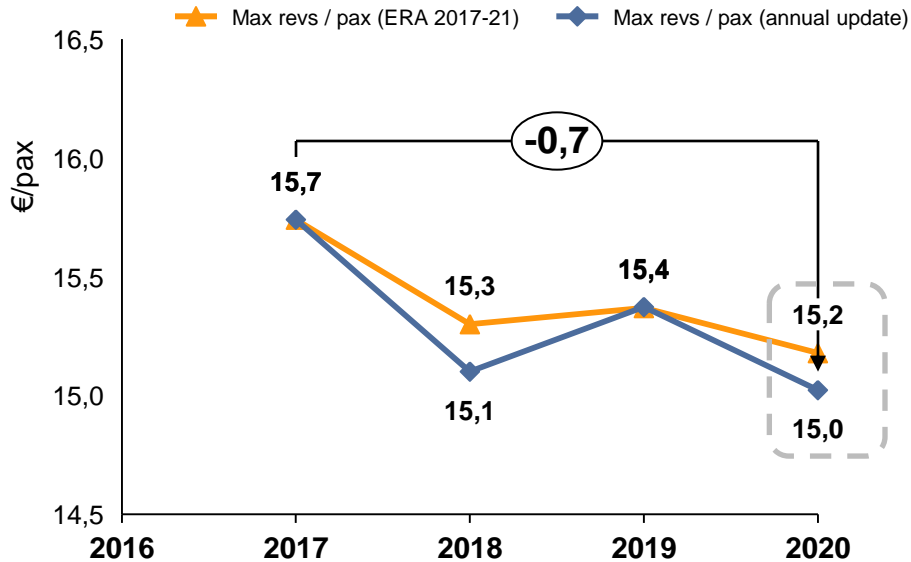


- Looking at 2013-20, the avg unit charge for regulated services of FCO (max allowed revenues / paying pax) has grown at a CAGR of 1,3% (from 27,3 €/pax to 30,0 €/pax). This is in spite of the significant investments in higher capacity (+7 million pax p.a. capacity in the period) and much enhanced quality of service (ACI «Overall Satisfaction Index» from 3.31 to 4.43, ie. from worst to best result of the panel in the period)
- Charges proposal for 2020 is predicated – among others – on an inflation est of 1% (DEF issued in April 2019)
- 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)

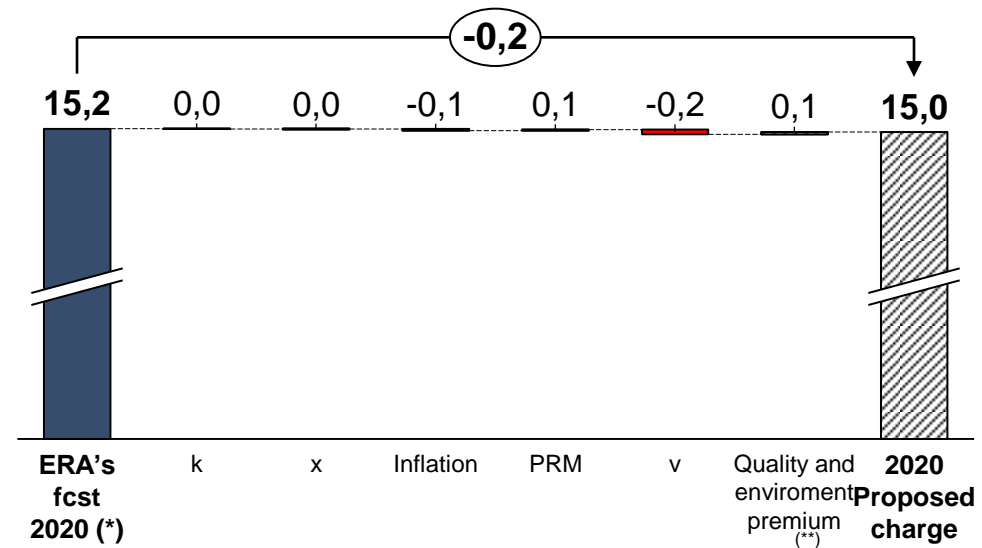
(\*) the average charge for 2013 recorded in the calendar year is affected by two months (January, February) in the absence of application of the ERA

# CIA: 2020 charges update vs ERA's forecasts

## CIA (CA) 2020 vs 2017-2019 (€/pax)



## 2020 CIA (AC) vs 2020 in ERA (€/paying pax)



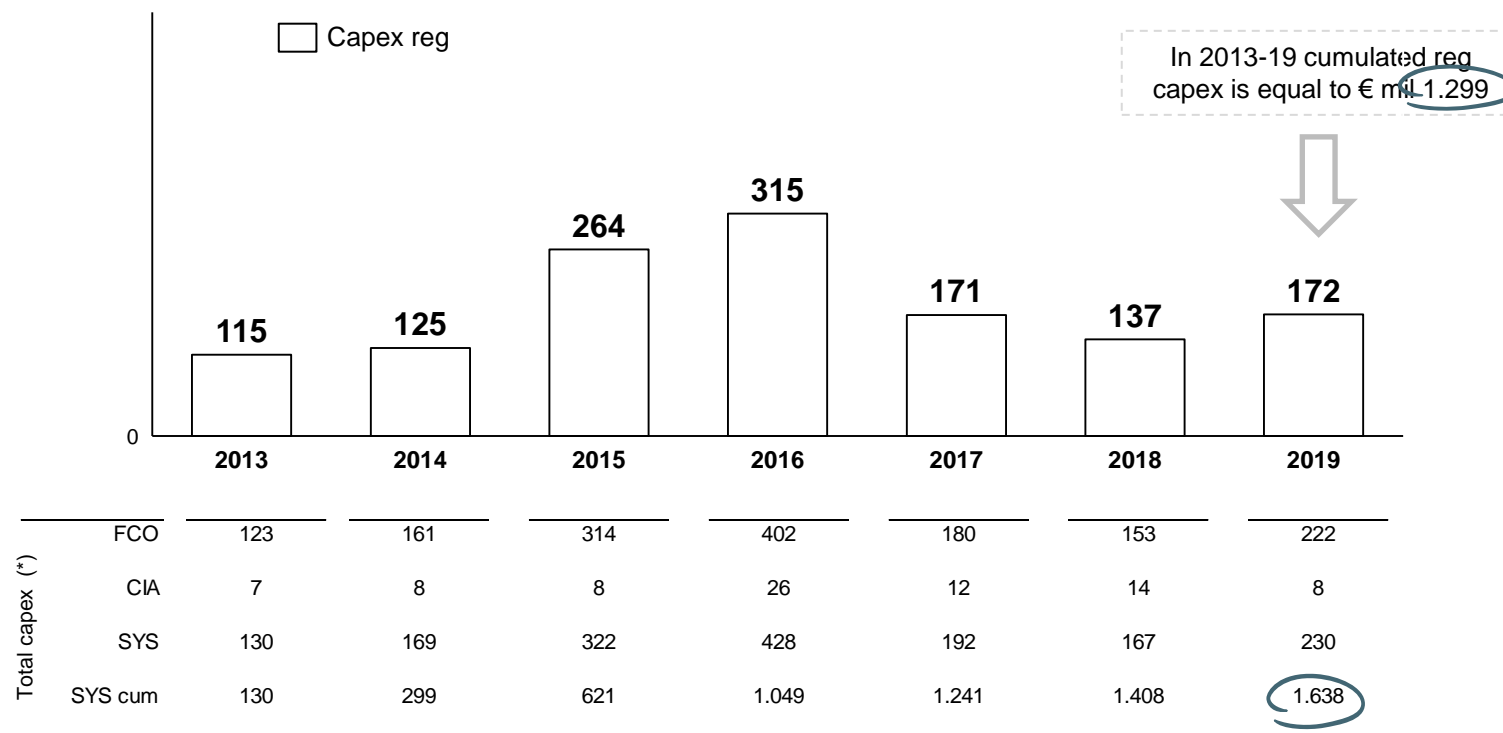
- At CIA for Commercial Aviation (shown), 2020 avg regulated unit charge in consultation equals **15,0 €/pax** and is in reduction compared to: (i) forecasts for the same year in ERA (**-0,2 €/pax**) and (ii) avg charge in application in 2019 (**-0,4 €/pax**)
- Charges proposal for 2020 is predicated – among others – on an inflation est of 1% (DEF issued in April 2019)
- 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 page 16 for cost per aircraft)

(\*) excluding quality and environment premium

(\*\*) including quality and environment premium equal to 0,11 €/paying pax



## SYS: total capex and capex to regulated services (€ mil)



(\*) capex REG+NO-REG; real estate investments not included

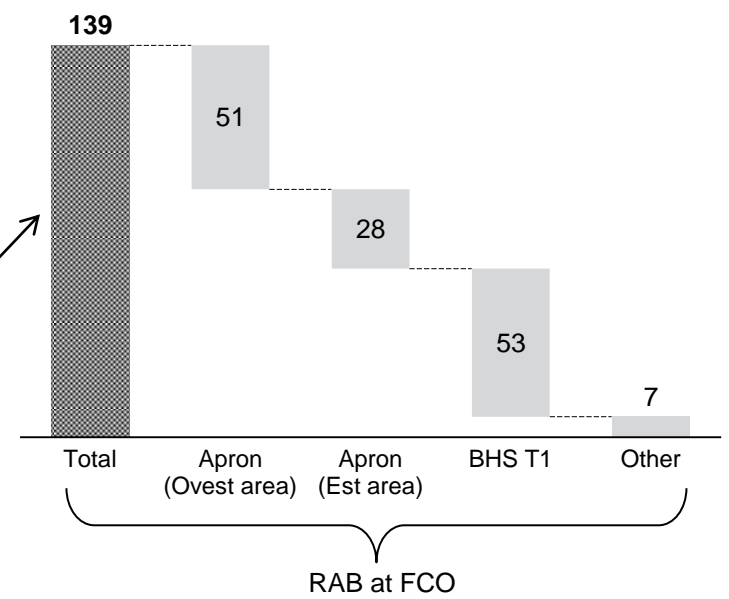
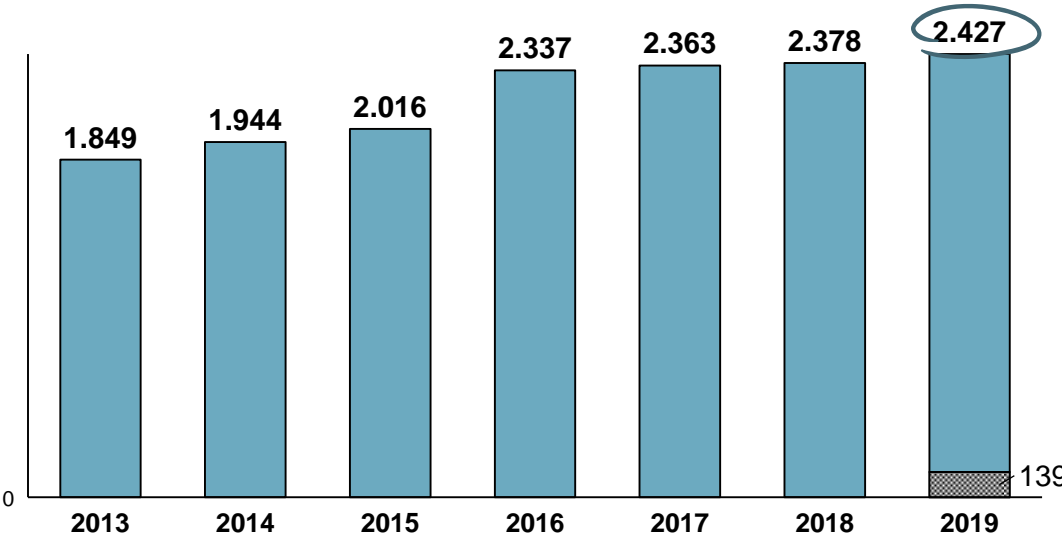
- In 2013-2019 total investments (FCO+CIA) are equal to 1,64 € bln, of which 1,02 € bln (62%) in 2016-2019, with a significant weight in 2016 for the completion works of Pier E
- In 2013-2019 investments allocated to reg services are equal to 1,30 € bln (of which 0,80 € bln in 2016-2019)

# RAB in 2013-2019

RAB(\*) SYS 2013-2019 (€ mil)

RAB subject to incremental WaCC (€ mil)\*\*

■ RAB  
■ RAB subject to incremental wacc



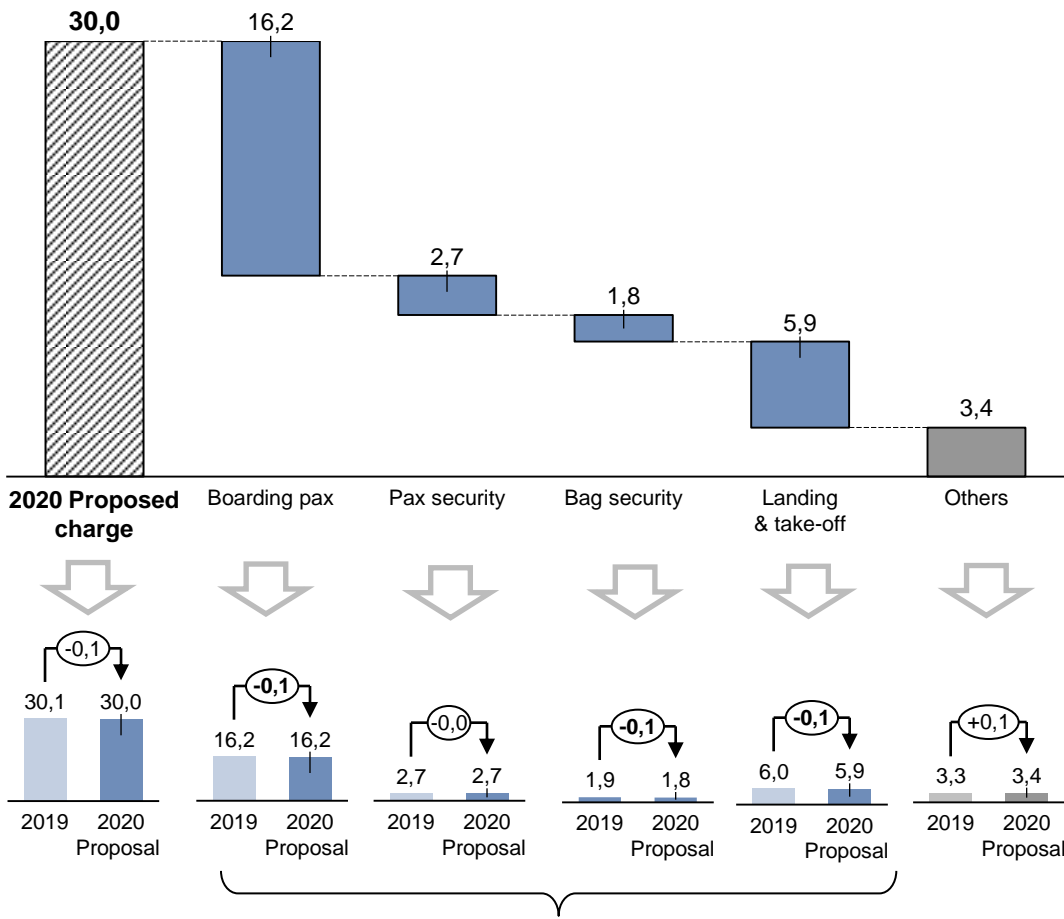
- The value of ADR's RAB is estimated at 2.43 € bln (1,85 € bln at ERA start, values at the airport system) for a +4,6% increase
- At the start of 2019 the unfolding of the investment plan will have determined a portion of RAB (5.7% of the total) that will benefit from the recognition of an incremental WaCC due to the high strategic value of the related projects
- 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 2019 charges proposal this item accounts for 1% of total allowable costs)

(\*) «ending of year» RAB

(\*\*) please see annex 22 to the ERA for more details on projects and methodology | 10

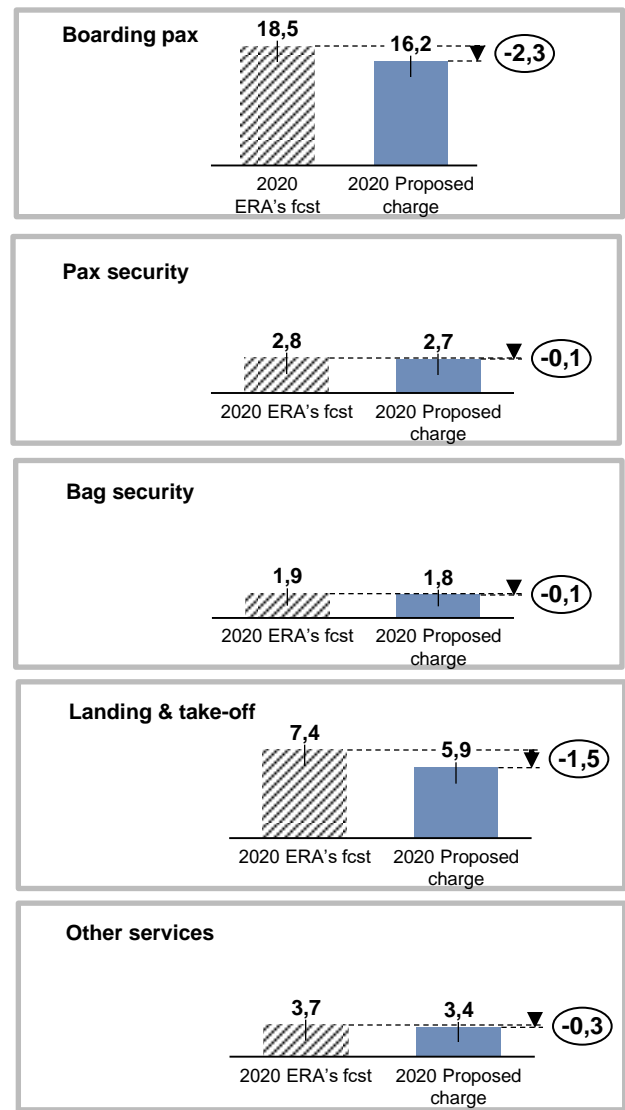
# FCO regulated charges update: breakdown

2020 reg. charges update (€/paying pax)



Boarding pax, pax and bag security charges and landing and take-off are seen down vs 2019

2020 reg. charges update vs 2020 ERA's fcst (€/paying pax)



- 2020 Charges: Key Issues

- **Costs per Aircraft**

- Allowed Costs and Parameters of Regulated Charges

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# FCO: aircraft scenario, UE

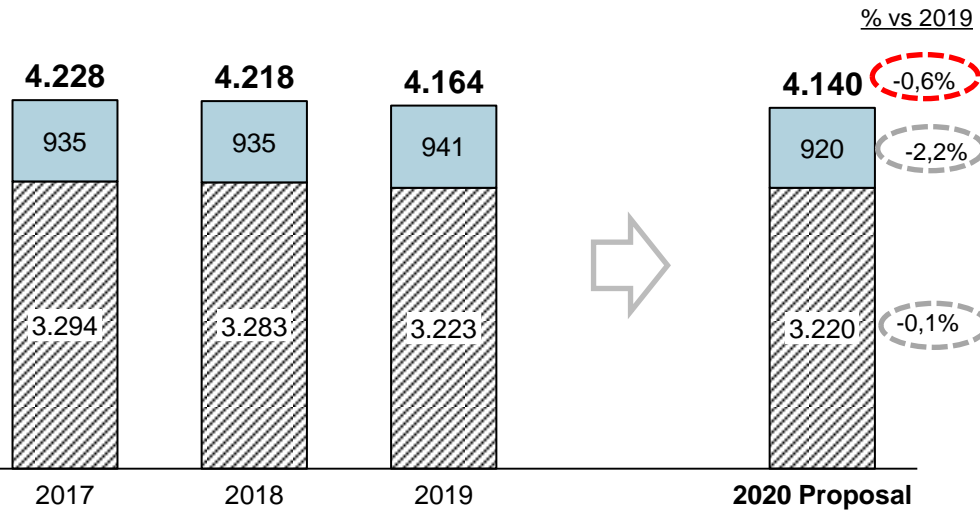
Hp: A320, 74 Mton, 79% LoadFactor (136 pax), usage of Loading Bridge



## PEAK

Value in € (reg services avio) (\*)

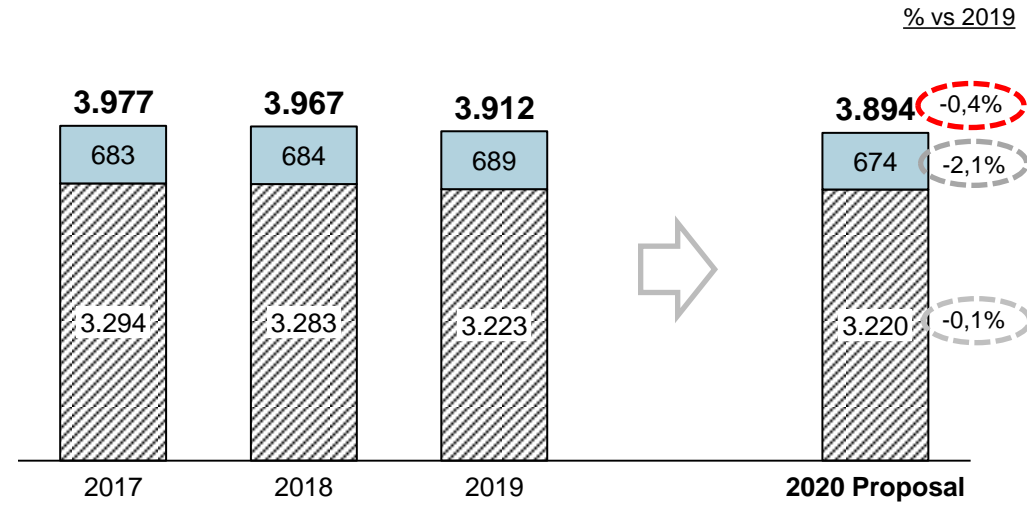
Flight based Pax based



## OFF-PEAK

Value in € (reg services avio) (\*)

Flight based Pax based



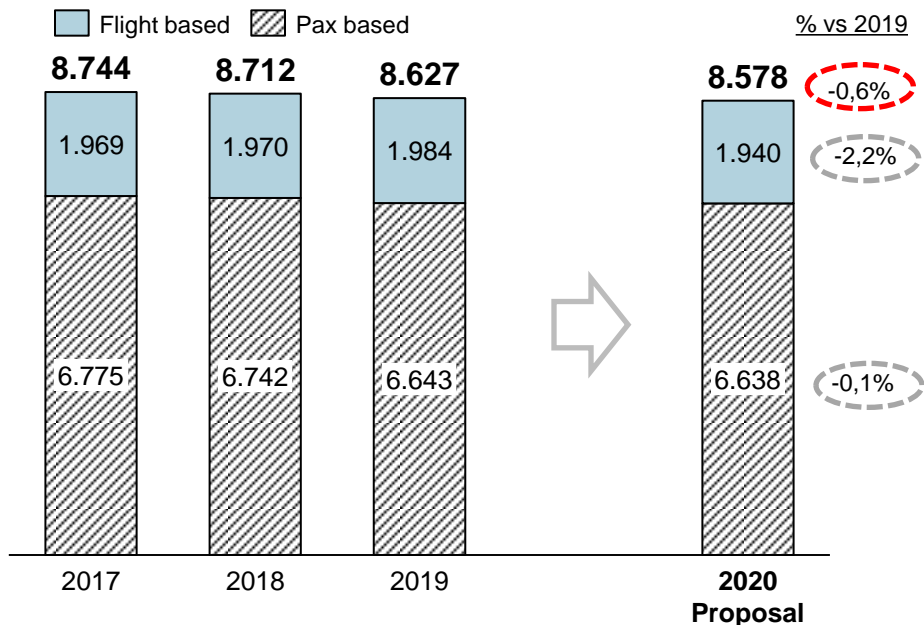
(\*) excludes check-in desk and parking

# FCO: aircraft scenario, exUE

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

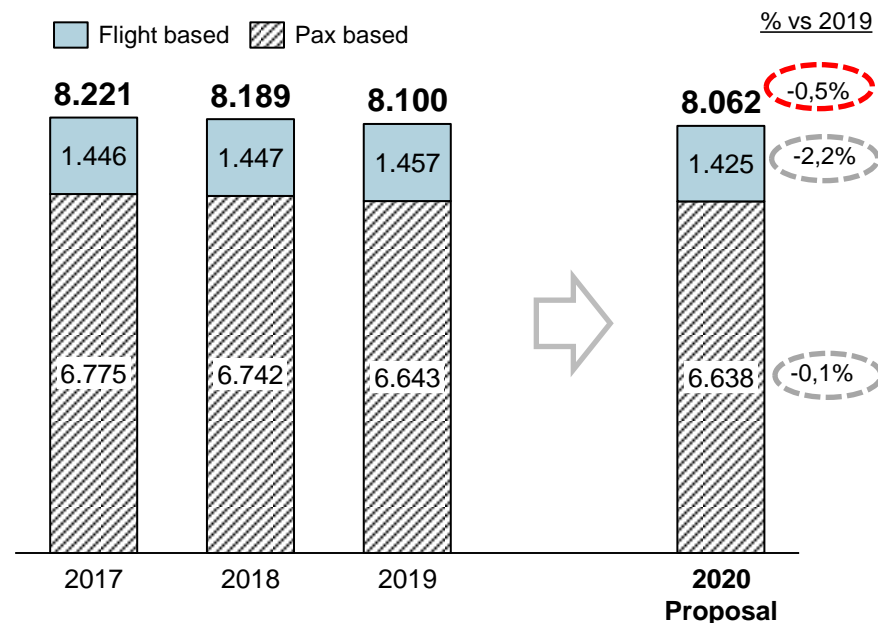
## PEAK

Value in € (reg services avio) (\*)



## OFF-PEAK

Value in € (reg services avio) (\*)



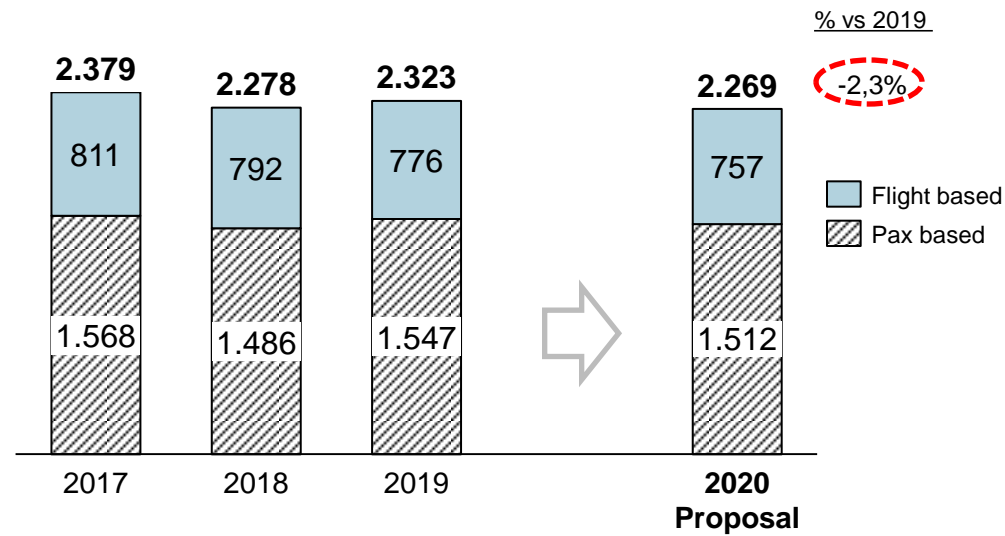
(\*) excludes check-in desk and parking

# CIA (Commercial aviation): aircraft scenario, UE

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

## «Boeing 737»

Value in € (reg services avio) (\*)



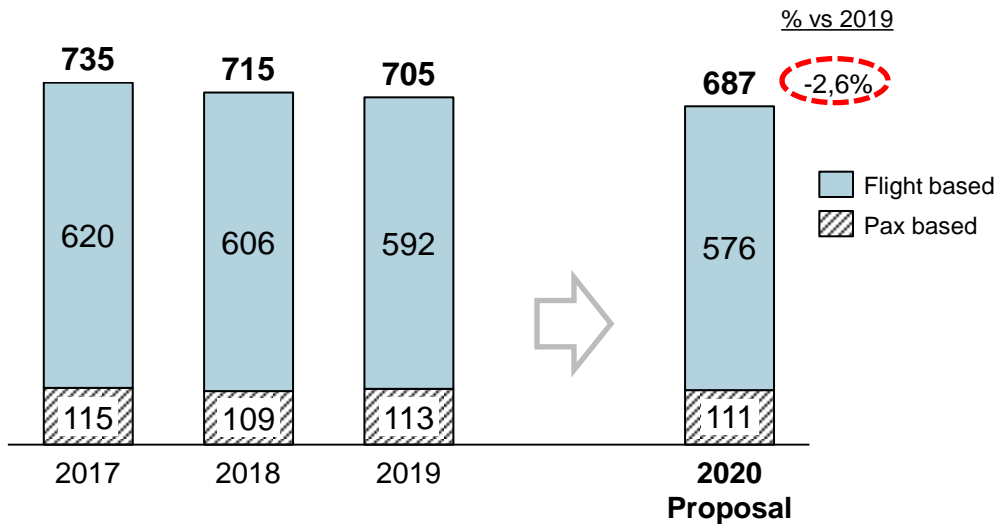
(\*) excludes check-in desk and parking

# CIA (General Aviation): aircraft scenario, UE

## Aircraft «Dassault Falcon 900»

(Hp: 20 MTOW, 2 passengers on board)

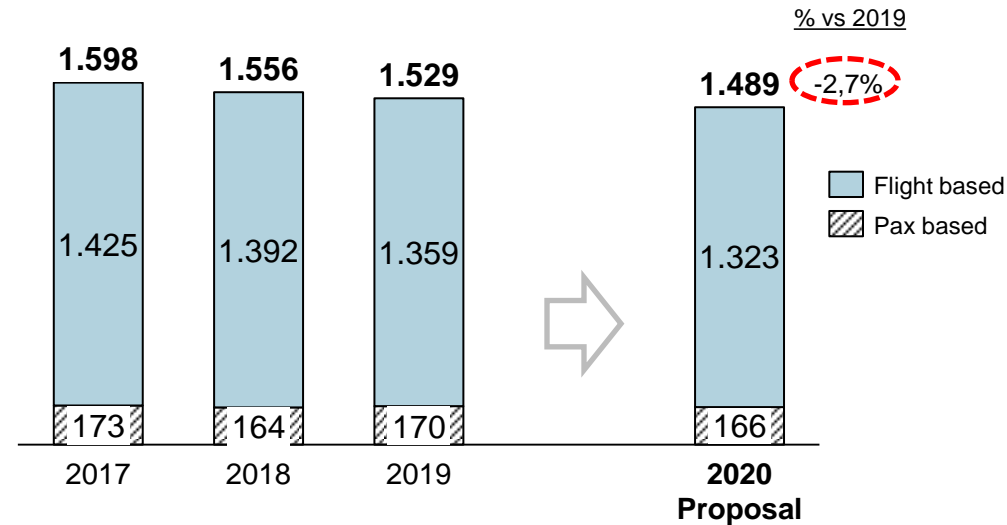
Value in € (reg services avio) (\*)



## Aircraft «Gulfstream Aerospace V (G550)»

(Hp: 40 MTOW, 3 passengers on board)

Value in € (reg services avio) (\*)



(\*) excludes parking

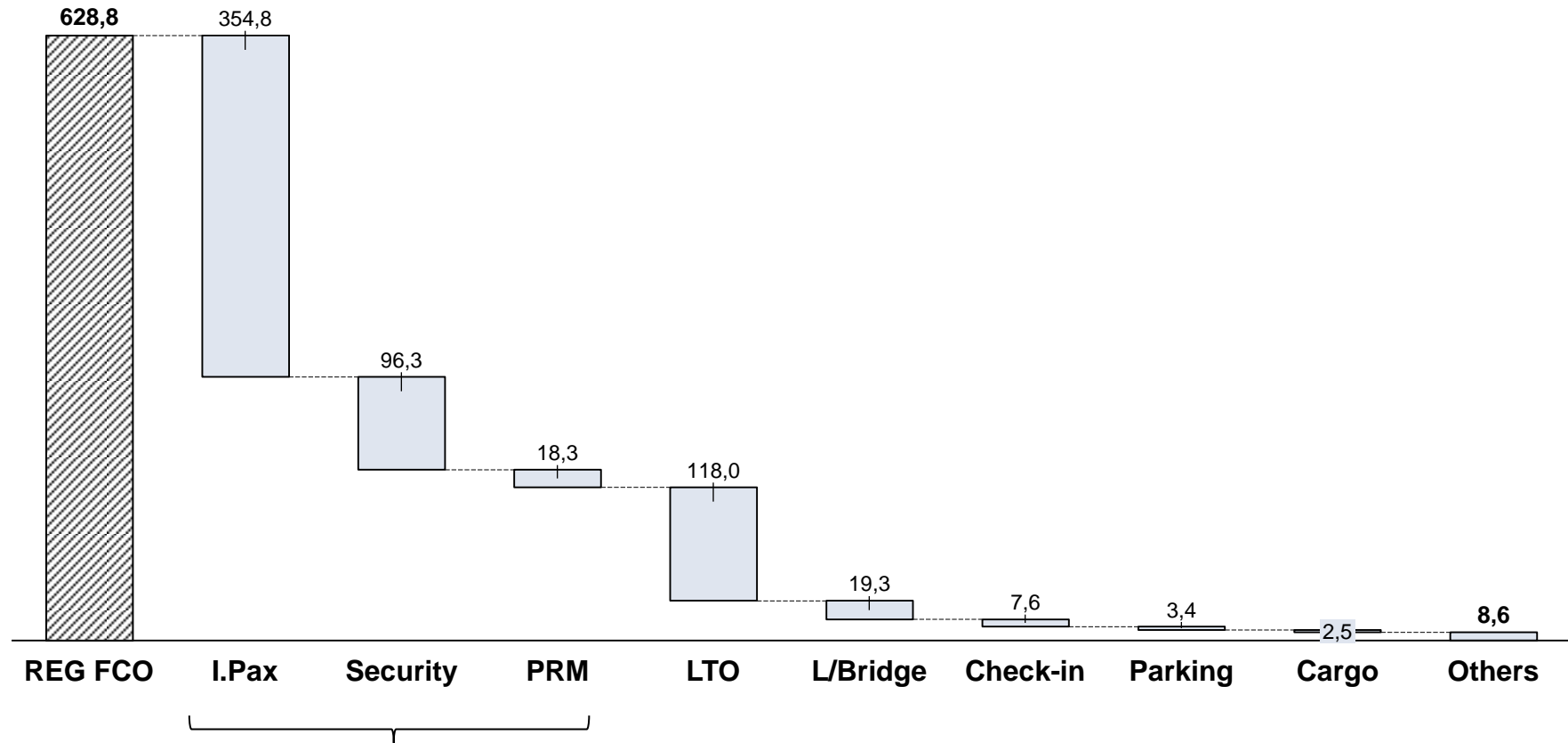


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# Revenue breakdown (2017-2018)

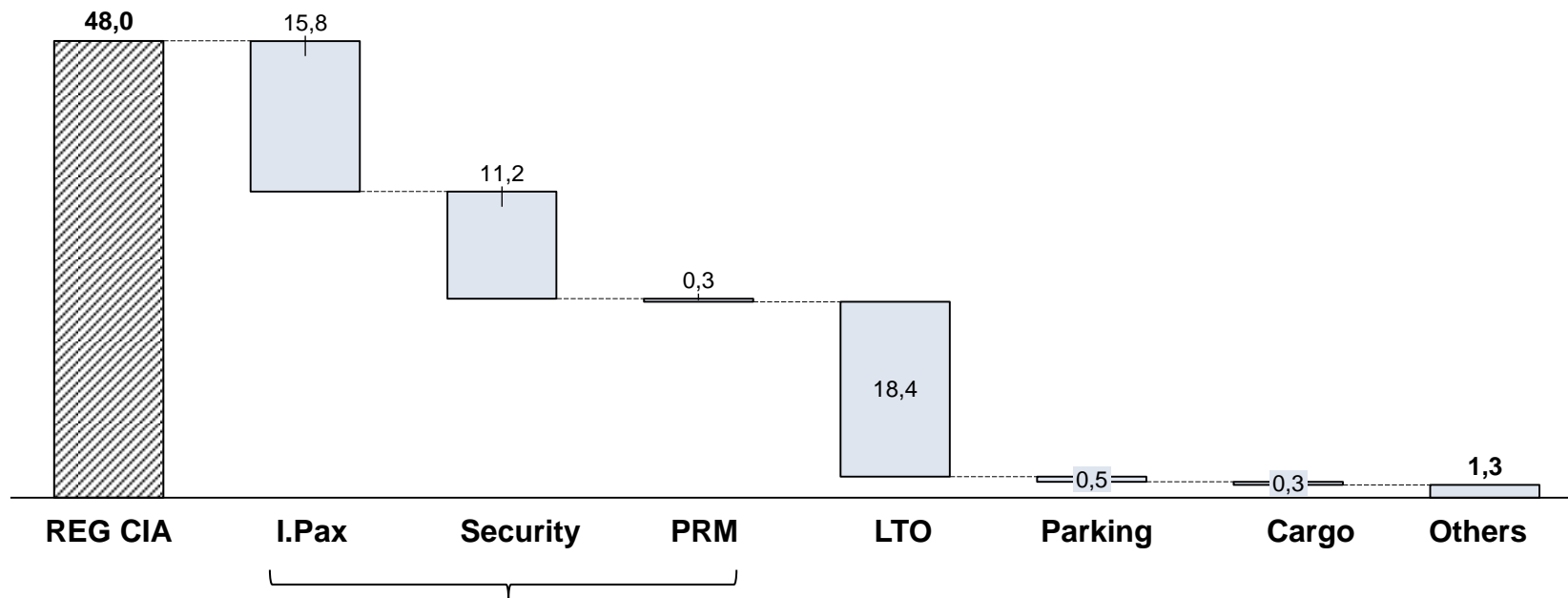
REGULATORY ACCOUNTS: REVENUES						
(value in € '000)	FIUMICINO		CIAMPINO		ROME AIRPORT SYSTEM	
	2017	2018	2017	2018	2017	2018
Landing / take-off	111.293	117.971	19.031	18.369	130.323	136.340
Aircraft parking	3.500	3.365	575	533	4.076	3.898
Passenger boarding	336.681	354.790	17.632	15.826	354.313	370.616
Cargo Embarkation / Disembarkation	2.272	2.458	324	349	2.596	2.807
Passenger security	55.232	56.820	7.441	7.395	62.674	64.215
Baggage security	34.232	39.520	3.518	3.853	37.751	43.373
	-	-	-	-	-	-
Loading bridge	19.862	19.349	-	-	19.862	19.349
De-icing	19	17	22	16	41	33
Check-in desks	7.746	7.634	375	412	8.122	8.046
Lost & Found	255	197	10	12	265	209
Real estate	8.515	8.317	784	898	9.299	9.215
ETV	123	112	-	-	123	112
PRM Assistance	17.397	18.270	368	348	17.765	18.618
<b>TOT REGULATED SERVICES</b>	<b>597.128</b>	<b>628.818</b>	<b>50.081</b>	<b>48.012</b>	<b>647.209</b>	<b>676.829</b>
<b>TOT NON-REGULATED SERVICES</b>	<b>217.454</b>	<b>228.390</b>	<b>12.495</b>	<b>12.819</b>	<b>229.949</b>	<b>241.210</b>
<b>OTHERS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.849</b>	<b>1.569</b>
<b>TOT REVENUES</b>	<b>814.582</b>	<b>857.208</b>	<b>62.576</b>	<b>60.831</b>	<b>883.007</b>	<b>919.608</b>

# Regulated revenues (2018 breakdown): Fiumicino (€ mil)



Ricavi «pax-based» = 74,6% del totale

# Regulated revenues (2018 breakdown): Ciampino (€ mil)



«pax-based» revenues = 57,1% of total

# Opex breakdown (2017-2018) (1/2)

REGULATORY ACCOUNTS: OPERATING COSTS						
(value in € '000)	FIUMICINO		CIAMPINO		SISTEMA	
	2017	2018	2017	2018	2017	2018
	Landing / take-off	38.047	40.630	6.270	6.421	44.318
Aircraft parking	1.029	1.261	351	402	1.380	1.663
Passenger boarding	142.540	145.446	11.327	10.123	153.867	155.569
Cargo Embarkation / Disembarkation	1.267	928	150	162	1.417	1.090
Passenger security	42.802	40.308	6.456	6.517	49.258	46.824
Baggage security	16.284	11.593	1.617	1.453	17.901	13.047
Simulation service	24	21	-	-	24	21
Loading bridge	7.761	7.888	-	-	7.761	7.888
De-icing	32	30	8	63	40	92
Check-in desks	2.650	2.480	276	201	2.925	2.680
Lost & Found	53	51	2	6	54	57
Real estate	3.632	3.905	463	435	4.095	4.340
ETV	90	2	-	-	90	2
PRM Assistance (*)	17.554	20.539	493	525	18.046	21.063
<b>TOT REGULATED SERVICES</b>	<b>273.765</b>	<b>275.081</b>	<b>27.413</b>	<b>26.308</b>	<b>301.178</b>	<b>301.389</b>
<b>TOT NON-REGULATED SERVICES</b>	<b>67.030</b>	<b>63.538</b>	<b>4.644</b>	<b>5.240</b>	<b>71.674</b>	<b>68.778</b>
<b>OTHERS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.830)</b>	<b>3.336</b>
<b>TOT SERVICES</b>	<b>340.795</b>	<b>338.619</b>	<b>32.056</b>	<b>31.547</b>	<b>370.022</b>	<b>373.502</b>

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

# Opex breakdown (2017-2018) (2/2)

REGULATORY ACCOUNTS: OPERATING COSTS						
(value in € '000)						
	FIUMICINO					
	Staff	Other costs	2017	Staff	Other costs	2018
Landing / take-off	13.112	24.935	38.047	13.418	27.212	40.630
Aircraft parking	431	597	1.029	457	804	1.261
Passenger boarding	44.957	97.583	142.540	45.492	99.954	145.446
Cargo Embarkation / Disembarkation	313	954	1.267	228	700	928
Passenger security	34.817	7.986	42.802	32.876	7.432	40.308
Baggage security	7.906	8.379	16.284	6.196	5.398	11.593
Simulation service	5	19	24	5	16	21
Loading bridge	3.251	4.510	7.761	3.217	4.671	7.888
De-icing	32	-	32	30	-	30
Check-in desks	711	1.939	2.650	621	1.859	2.480
Lost & Found	22	31	53	21	30	51
Real estate	1.333	2.299	3.632	1.677	2.228	3.905
ETV	23	68	90	1	1	2
PRM Assistance (*)	-	17.554	17.554	-	20.539	20.539
<b>TOT FCO REGULATED SERVICES</b>	<b>106.913</b>	<b>166.852</b>	<b>273.765</b>	<b>104.237</b>	<b>170.844</b>	<b>275.081</b>
	CIAMPINO					
	Staff	Other costs	2017	Staff	Other costs	2018
Landing / take-off	2.001	4.269	6.270	2.268	4.153	6.421
Aircraft parking	94	257	351	130	271	402
Passenger boarding	3.752	7.575	11.327	3.393	6.730	10.123
Cargo Embarkation / Disembarkation	47	103	150	56	106	162
Passenger security	5.113	1.342	6.456	5.214	1.303	6.517
Baggage security	945	672	1.617	834	620	1.453
De-icing	8	-	8	63	-	63
Check-in desks	61	215	276	41	160	201
Lost & Found	1	1	2	4	3	6
Real estate	220	244	463	244	191	435
PRM Assistance (*)	-	493	493	-	525	525
<b>TOT CIA REGULATED SERVICES</b>	<b>12.242</b>	<b>15.170</b>	<b>27.413</b>	<b>12.246</b>	<b>14.061</b>	<b>26.308</b>

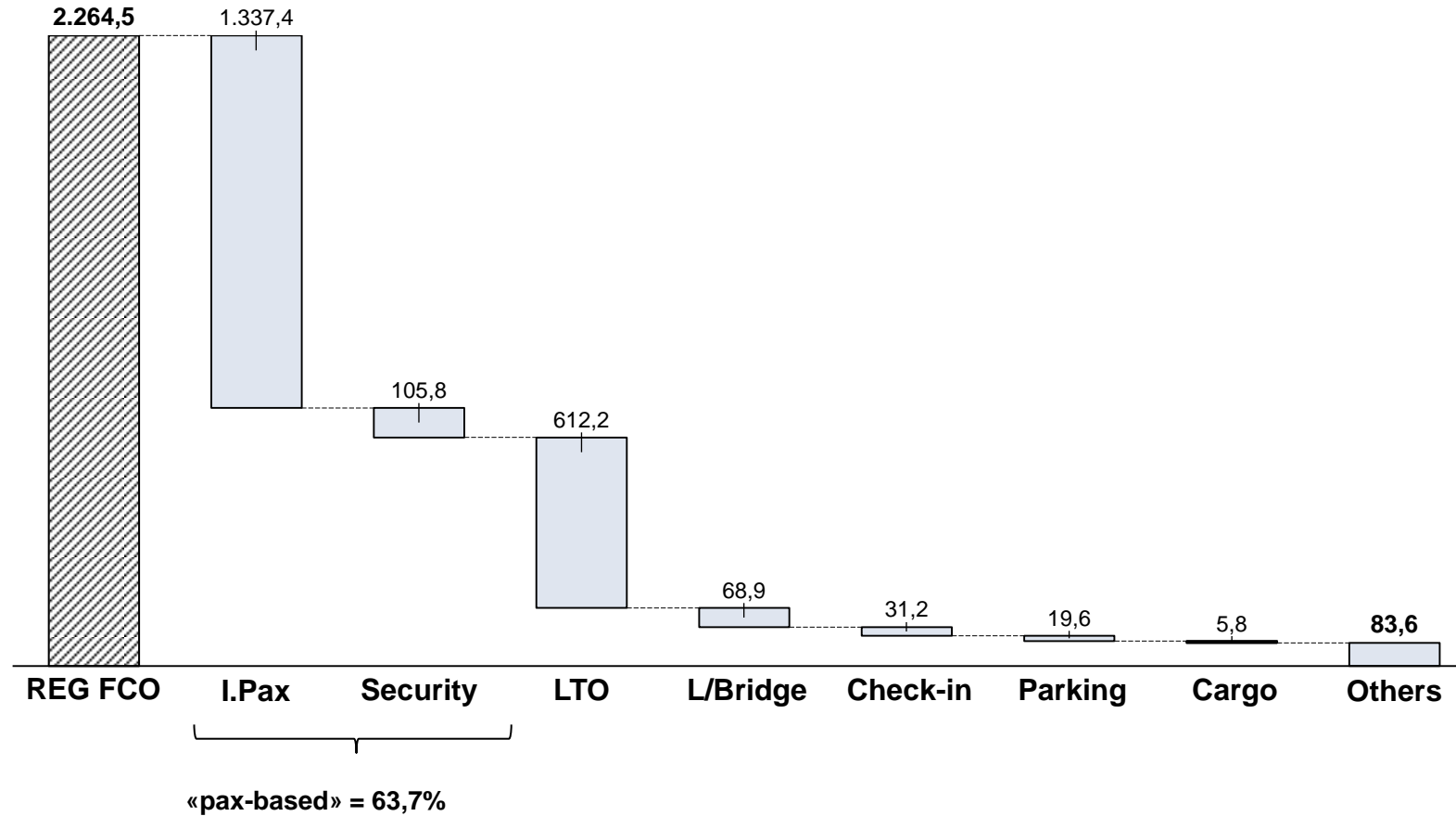
(\*) intercompany item from ADR Assistance to ADR SpA, not relevant for tariff-making purposes

# Invested capital breakdown (2017-2018)

<b>REGULATORY ACCOUNTS: NET INVESTED CAPITAL (*)</b>			
(value in € '000)			
	<b>FIUMICINO</b>	<b>2017</b>	<b>2018</b>
Landing / take-off		559.528	612.212
Aircraft parking		13.828	19.613
Passenger boarding		1.317.568	1.337.408
Cargo Embarkation / Disembarkation		4.808	5.809
Passenger security		39.995	30.400
Baggage security		80.269	75.368
Simulation service		159	155
Loading bridge		74.270	68.940
Check-in desks		29.788	31.152
Lost & Found		1.004	1.067
Real estate		81.299	78.760
ETV		3.539	3.636
	<b>TOT REGULATED SERVICES (FCO)</b>	<b>2.206.054</b>	<b>2.264.521</b>
	<b>CIAMPINO</b>	<b>2017</b>	<b>2018</b>
Landing / take-off		90.340	88.601
Aircraft parking		657	2.819
Passenger boarding		28.622	31.636
Cargo Embarkation / Disembarkation		1.248	1.433
Passenger security		1.791	2.566
Baggage security		3.911	7.852
Check-in desks		721	681
Lost & Found		18	55
Real estate		3.440	2.768
	<b>TOT REGULATED SERVICES (CIA)</b>	<b>130.746</b>	<b>138.411</b>
	<b>TOT REGULATED SERVICES</b>	<b>2.336.800</b>	<b>2.402.932</b>
	<b>TOT NON REGULATED SERVICES</b>	<b>1.519.024</b>	<b>1.530.349</b>
	<b>OTHERS</b>	<b>9.973</b>	<b>13.472</b>

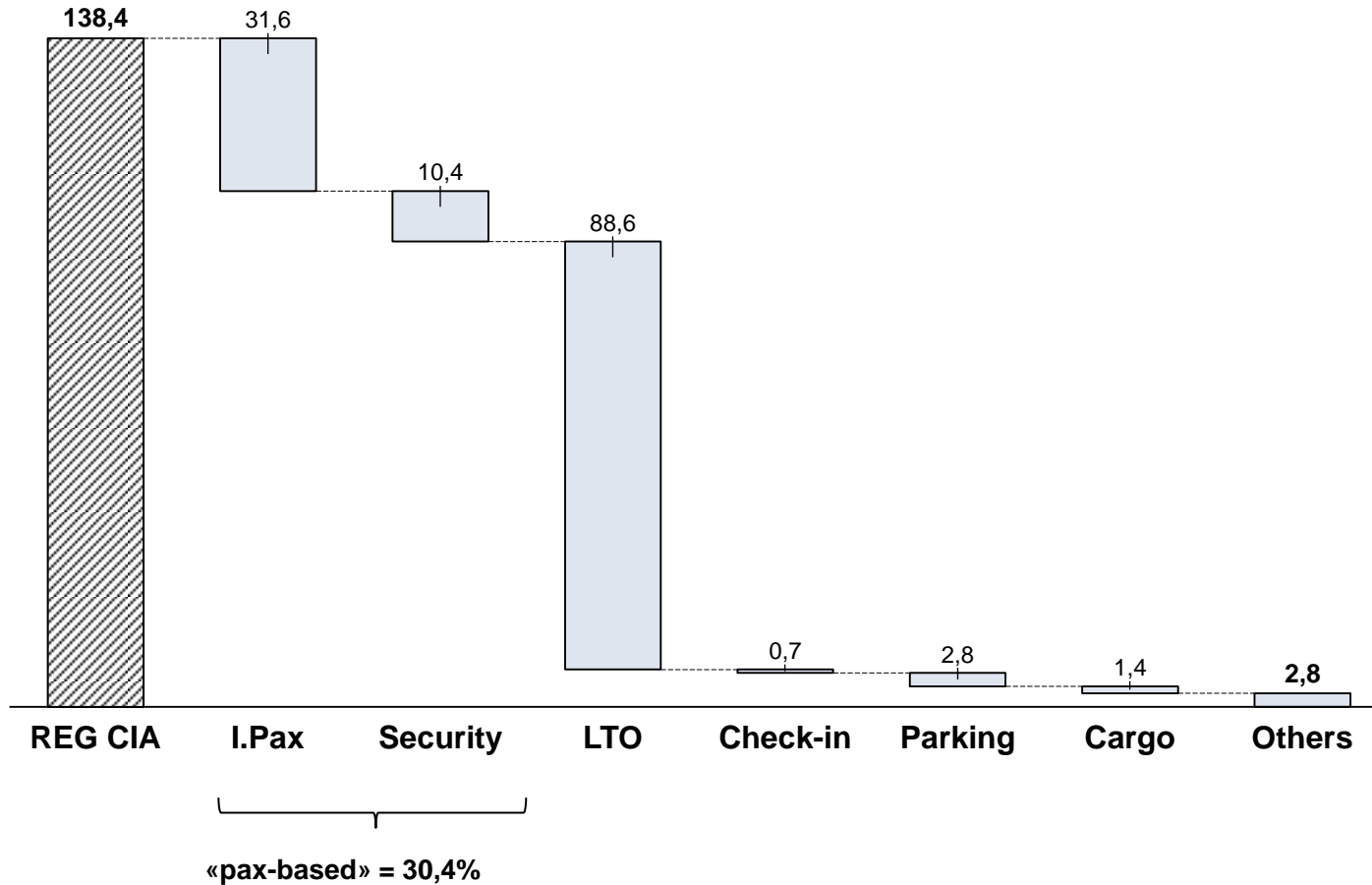
(\*) ADR SpA (not included invested capital of ADR Assistance, PRM service provider)

# RAB 2018: Fiumicino (€ mil)





# RAB 2018: Ciampino (€ mil)



# Allowable cost breakdown (2017-2018)

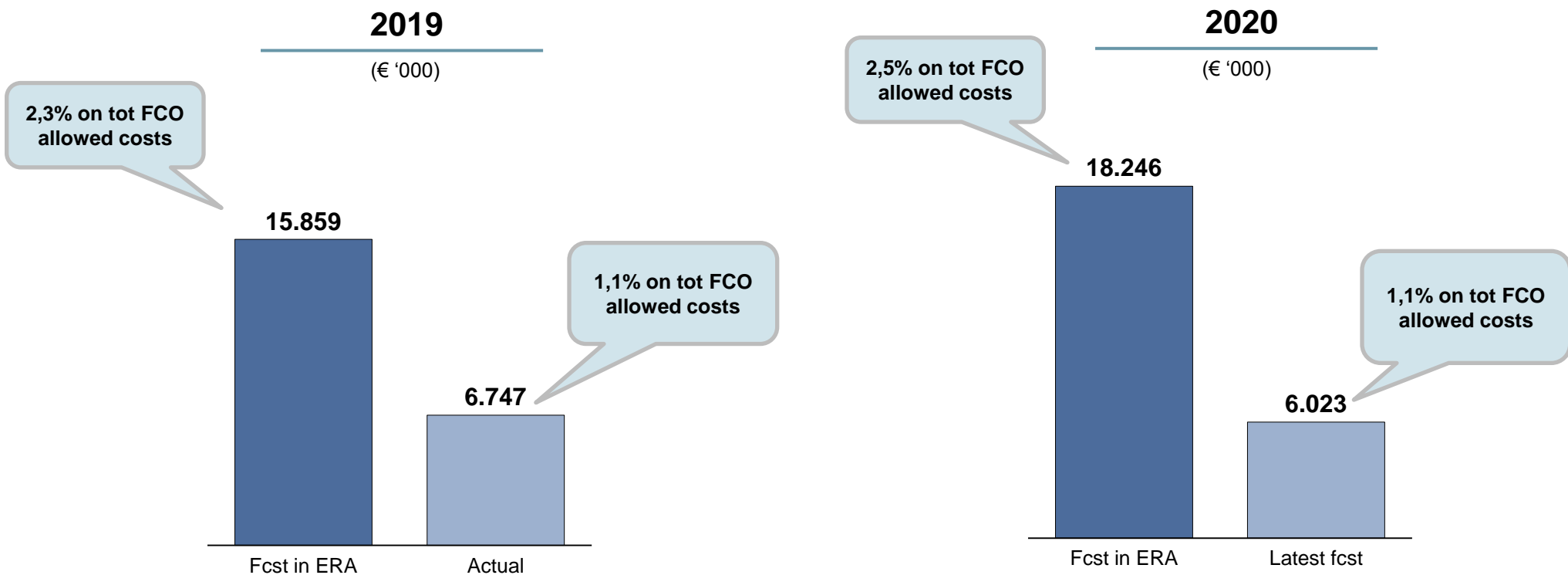
REGULATORY ACCOUNTS 2018: ALLOWED COSTS					RE. ACC. 2017
(value in € '000)					
FIUMICINO	OPERATING COSTS	DEPRECIATIONS	REMUNERATION	2018 TOT. COSTS	2017 TOT. COSTS
Landing / take-off	40.630	31.456	53.695	125.781	116.436
Aircraft parking	1.261	1.179	1.877	4.317	3.259
Passenger boarding	145.446	79.894	118.227	343.568	332.939
Cargo Embarkation / Disembarkation	928	376	517	1.821	2.026
Passenger security	40.308	4.346	2.654	47.307	50.949
Baggage security	11.593	8.730	6.907	27.230	32.048
Simulation service	21	11	13	45	48
Loading bridge	7.888	6.506	5.950	20.344	20.102
De-icing	30	-	-	30	32
Check-in desks	2.480	2.549	2.710	7.738	6.985
Lost & Found	51	77	92	220	203
Real estate	3.905	5.676	6.773	16.354	15.897
ETV	2	0	310	312	398
RPM Assistance	20.539	-	-	20.539	17.554
<b>TOT REGULATED SERVICES (FCO)</b>	<b>275.081</b>	<b>140.801</b>	<b>199.724</b>	<b>615.606</b>	<b>598.875</b>
CIAMPINO	OPERATING COSTS	DEPRECIATIONS	REMUNERATION	2018 TOT. COSTS	2017 TOT. COSTS
Landing / take-off	6.421	5.008	7.574	19.003	19.089
Aircraft parking	402	115	276	792	520
Passenger boarding	10.123	2.973	2.776	15.872	16.749
Cargo Embarkation / Disembarkation	162	102	124	388	352
Passenger security	6.517	337	222	7.076	6.856
Baggage security	1.453	1.035	672	3.161	2.303
De-icing	63	-	-	63	8
Check-in desks	201	86	59	345	425
Lost & Found	6	5	5	16	5
Real estate	435	292	238	965	1.107
RPM Assistance	525	-	-	525	493
<b>TOT REGULATED SERVICES (CIA)</b>	<b>26.308</b>	<b>9.952</b>	<b>11.946</b>	<b>48.206</b>	<b>47.909</b>
<b>TOT REGULATED SERVICES</b>	<b>301.389</b>	<b>150.753</b>	<b>211.670</b>	<b>663.812</b>	<b>646.784</b>
<b>TOT NON REGULATED SERVICES</b>	<b>68.778</b>	<b>49.282</b>	<b>120.010</b>	<b>238.069</b>	<b>240.966</b>
<b>OTHERS</b>	<b>3.336</b>	<b>924</b>	<b>1.049</b>	<b>5.309</b>	<b>(2.830)</b>

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

# Parameters of tariff formula: «x», «k», «v» (2017-2020)

	"X" Parameter					"K" Parameter				"V" Parameter				"V" Parameter			
	ERA	ERA	ERA	ERA	ERA	A	A	A	F	ERA	ERA	ERA	ERA	A	A	A	F
	2017-21	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
<b>Fiumicino</b>																	
Landing / take-off	8,1%	5,9%	12,7%	12,8%	14,2%	5,3%	7,5%	4,4%	8,4%	1,6%	1,9%	2,2%	2,8%	1,3%	1,5%	1,5%	0,6%
Aircraft parking	7,7%	22,6%	35,0%	44,2%	4,1%	21,3%	22,1%	12,8%	13,2%	-3,8%	0,0%	0,0%	0,0%	-3,8%	-0,4%	-0,6%	-1,5%
Passenger boarding	4,7%	15,8%	8,5%	7,8%	6,9%	14,2%	6,0%	2,4%	4,9%	-0,7%	0,0%	0,0%	0,0%	-0,8%	-0,5%	-1,1%	-0,9%
Cargo Embarkation / Disembarkation	2,5%	10,8%	12,7%	9,9%	4,4%	5,8%	9,1%	3,2%	4,2%	-1,5%	0,0%	0,0%	0,0%	-1,6%	-1,5%	-2,4%	-1,9%
Passenger security	2,3%	5,5%	3,4%	2,0%	1,9%	4,9%	3,2%	1,7%	1,5%	0,7%	0,0%	0,0%	0,0%	0,6%	-0,2%	-0,1%	-0,2%
Baggage security	2,9%	21,6%	8,6%	6,1%	4,1%	27,7%	4,6%	3,0%	1,9%	0,3%	0,0%	0,0%	0,0%	0,2%	1,5%	-1,3%	-0,5%
Cargo Security Facility	2,1%	11,8%	8,1%	4,2%	8,4%	8,1%	8,1%	1,8%	3,7%	3,4%	0,0%	0,0%	0,0%	2,6%	-0,8%	-1,5%	-1,9%
Loading bridge	13,4%	11,1%	7,8%	11,0%	13,7%	9,8%	5,3%	4,1%	3,4%	-0,6%	0,0%	0,0%	0,0%	-0,6%	-0,4%	-1,4%	-0,9%
De-icing	0,8%	0,0%	0,0%	0,1%	0,0%	0,0%	0,0%	0,0%	0,1%	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%	8,7%	17,0%	6,2%	12,9%	-1,7%	0,0%	0,0%	0,0%	-2,8%	-1,7%	0,0%	0,6%
Lost & Found	4,4%	13,3%	9,3%	15,5%	16,2%	12,7%	6,8%	5,1%	10,9%	-4,5%	0,0%	0,0%	0,0%	-4,6%	-0,2%	-0,7%	-0,9%
Real estate	3,9%	13,3%	9,8%	7,9%	8,4%	12,1%	5,3%	3,2%	7,2%	-1,0%	0,0%	0,0%	0,0%	-1,0%	-0,4%	-1,2%	-0,9%
ETV	2,1%	0,4%	3,1%	0,3%	0,9%	1,1%	-0,3%	1,6%	0,0%	0,1%	0,0%	0,0%	0,0%	0,0%	0,2%	-0,6%	0,0%
<b>Ciampino</b>																	
Landing / take-off	5,7%	16,3%	8,5%	8,9%	3,5%	15,9%	2,6%	2,5%	2,3%	0,2%	0,7%	0,8%	1,1%	-0,1%	0,3%	-0,1%	0,2%
Aircraft parking	3,7%	2,9%	2,8%	1,9%	2,2%	2,4%	6,9%	73,8%	31,2%	-0,2%	-0,3%	-0,4%	-0,6%	-0,5%	-0,6%	0,4%	-1,2%
Passenger boarding	8,7%	10,2%	5,7%	2,7%	4,0%	8,7%	4,3%	8,8%	5,7%	0,3%	-0,2%	-0,3%	-0,4%	-0,2%	-1,1%	0,1%	-0,8%
Cargo Embarkation / Disembarkation	6,6%	14,5%	7,4%	7,2%	2,9%	13,9%	3,3%	8,2%	6,2%	-0,3%	-0,2%	-0,2%	-0,3%	-0,9%	-0,6%	-0,5%	-1,0%
Passenger security	1,0%	3,7%	1,4%	0,7%	0,3%	2,9%	1,7%	1,5%	1,0%	0,2%	-0,1%	-0,1%	-0,2%	0,1%	-0,3%	-0,2%	-0,3%
Baggage security	3,2%	3,2%	2,8%	1,4%	0,7%	2,9%	38,7%	4,6%	1,3%	0,3%	-0,2%	-0,3%	-0,4%	0,0%	-0,4%	1,9%	-0,1%
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%
Check-in desks	3,7%	10,4%	5,8%	2,4%	1,3%	6,9%	3,5%	4,3%	2,8%	0,9%	0,0%	0,0%	0,0%	-0,2%	-1,9%	1,2%	0,6%
Lost & Found	7,5%	22,5%	16,5%	5,4%	1,4%	22,3%	5,1%	7,2%	4,2%	-0,7%	-0,1%	-0,1%	-0,2%	-1,1%	-0,4%	0,8%	-1,4%
Real estate	8,9%	29,7%	7,8%	4,1%	1,4%	24,8%	10,3%	4,8%	4,2%	-0,1%	-0,2%	-0,2%	-0,3%	-1,0%	-2,1%	-0,2%	-0,7%

# FCO: operating costs tied to new infrastructures<sup>(\*)</sup>



- The operating costs directly tied to opening of new infrastructures and communicated to ENAC are incorporated in the parameter «k» starting from the year following the expense to allow verification
- 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)

<sup>(\*)</sup> allowed costs in the «k» parameter as prescribed in art. 36 of ERA

# Total operating costs parameter «k»

<i>Total operating costs parameter «k»</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	6.380	2.871	5.515	2.731	7.007	1.420	6.035	1.367
Cleaning	5.068	2.445	4.588	2.214	5.848	2.845	5.295	2.575
Utilities	7.082	2.229	5.305	1.678	8.100	2.781	6.067	2.092
Services from third parties	0	596	0	596	0	303	0	303
General Expenses	0	0	0	0	0	0	0	0
Personnel Costs	1.242	479	1.211	479	1.643	662	1.589	662
Rentals/Fees/Leases	(994)	(1.050)	(994)	(1.050)	(1.009)	(1.066)	(1.009)	(1.066)
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
	<b>18.778</b>	<b>7.570</b>	<b>15.624</b>	<b>6.648</b>	<b>21.589</b>	<b>6.945</b>	<b>17.976</b>	<b>5.934</b>
<i>Amounts "k" allowed in next year (+CPI)</i>		1,5%	<b>15.859</b>	<b>6.747</b>			<b>18.246</b>	<b>6.023</b>

The following are the detail slides for infrastructure

# Boarding Area E: opex «k»

<i>New Boarding Area E - ex Pier C and AVC</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	6.747	3.052	5.913	2.907	6.848	2.759	6.002	2.671
Cleaning	5.068	3.700	4.588	3.350	4.877	4.141	4.415	3.749
Utilities	5.848	2.583	4.380	1.943	5.877	3.093	4.402	2.325
Services from third parties	0	241	0	241	0	15	0	15
General Expenses	0	0	0	0	0	0	0	0
Personnel Costs	790	969	790	969	803	1.055	803	1.055
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
	<b>18.453</b>	<b>10.545</b>	<b>15.672</b>	<b>9.410</b>	<b>18.405</b>	<b>11.062</b>	<b>15.622</b>	<b>9.814</b>

# BHS T 1: opex «k»

<i>BHS Terminal 1</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	665	(181)	623	(177)	675	(1.339)	633	(1.304)
Cleaning	0	169	0	153	0	149	0	135
Utilities	1.543	530	1.156	397	1.550	520	1.161	389
Services from third parties	0	354	0	354	0	307	0	307
General Expenses	0	0	0	0	0	0	0	0
Personnel Costs	157	0	155	0	160	139	157	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
	<b>2.365</b>	<b>872</b>	<b>1.934</b>	<b>728</b>	<b>2.385</b>	<b>(223)</b>	<b>1.951</b>	<b>(333)</b>

# Shut-down NET 6000: opex «k»

<i>Shut-down NET 6000</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	(1.308)	0	(1.274)	0	(1.328)	0	(1.293)	0
Cleaning	0	0	0	0	0	0	0	0
Utilities	(430)	(217)	(322)	(162)	(430)	(242)	(322)	(182)
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	(994)	(1.050)	(994)	(1.050)	(1.009)	(1.066)	(1.009)	(1.066)
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
	<b>(2.733)</b>	<b>(1.267)</b>	<b>(2.590)</b>	<b>(1.212)</b>	<b>(2.767)</b>	<b>(1.308)</b>	<b>(2.624)</b>	<b>(1.247)</b>



## West Area – Aprons phase 1: opex «k»

<i>West Area - Aprons phase 1</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	154	0	140	0	219	0	199	0
Cleaning	0	0	0	0	0	0	0	0
Utilities	66	86	50	64	66	142	50	106
Services from third parties	0	0	0	0	0	0	0	0
General Expenses	0	0	0	0	0	0	0	0
Personnel Costs	186	0	168	0	189	0	171	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
	<b>406</b>	<b>86</b>	<b>358</b>	<b>64</b>	<b>474</b>	<b>142</b>	<b>420</b>	<b>106</b>

## West Area – Aprons phase 2: opex «k»

<i>West Area - Aprons phase 2</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	123	0	112	0	186	0	171	0
Cleaning	0	0	0	0	0	0	0	0
Utilities	55	43	41	32	71	71	53	53
Services from third parties	0	0	0	0	0	0	0	0
General Expenses	0	0	0	0	0	0	0	0
Personnel Costs	108	0	98	0	189	0	171	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
	<b>287</b>	<b>43</b>	<b>251</b>	<b>32</b>	<b>446</b>	<b>71</b>	<b>395</b>	<b>53</b>

# Hub Est - Boarding Area A: opex «k»

<i>Hub East - Boarding Area A</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	0	0	0	0	101	0	73	0
Cleaning	0	0	0	0	338	0	306	0
Utilities	0	0	0	0	345	0	258	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	0	0	0	0	81	0	80	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
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>865</b>	<b>0</b>	<b>717</b>	<b>0</b>

# East Terminal - T1 Front Building: opex «k»

<i>Hub East - T1 Front Building</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	0	0	0	0	67	0	48	0
Cleaning	0	0	0	0	246	0	223	0
Utilities	0	0	0	0	230	0	172	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	0	0	0	0	58	0	54	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
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>601</b>	<b>0</b>	<b>497</b>	<b>0</b>

# Reconfiguration Terminal 5 :opex «k»

<i>Reconfiguration Terminal 5</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	0	0	0	0	238	0	203	0
Cleaning	0	0	0	0	388	0	351	0
Utilities	0	0	0	0	391	0	293	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	0	0	0	0	163	0	153	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
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.180</b>	<b>0</b>	<b>999</b>	<b>0</b>

## Shut-down Terminal 2: opex «k»

<i>Shut-down Terminal 2</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	0	0	0	0	0	0	0	0
Cleaning	0	(542)	0	(490)	0	(550)	0	(498)
Utilities	0	(241)	0	(180)	0	(247)	0	(185)
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	(118)	0	(118)	0	(129)	0	(129)
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
	<b>0</b>	<b>(900)</b>	<b>0</b>	<b>(789)</b>	<b>0</b>	<b>(926)</b>	<b>0</b>	<b>(812)</b>

# Shut-down Terminal 5: opex «k»

<i>Shut-down Terminal 5</i>	Total Amounts		Regulatory Amounts		Total Amounts		Regulatory Amounts	
	2018 ERA	ACT 2018	2018 ERA	ACT 2018	2019 ERA	FCST 2019	2019 ERA	FCST 2019
Consumables	0	0	0	0	0	0	0	0
Maintenance	0	0	0	0	0	0	0	0
Cleaning	0	(883)	0	(799)	0	(896)	0	(811)
Utilities	0	(555)	0	(416)	0	(555)	0	(415)
Services from third parties	0	0	0	0	0	(19)	0	(19)
General Expenses	0	0	0	0	0	0	0	0
Personnel Costs	0	(371)	0	(371)	0	(403)	0	(403)
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
	<b>0</b>	<b>(1.809)</b>	<b>0</b>	<b>(1.586)</b>	<b>0</b>	<b>(1.872)</b>	<b>0</b>	<b>(1.649)</b>

- 2020 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. 2020 (from March) represents the fourth 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 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 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)

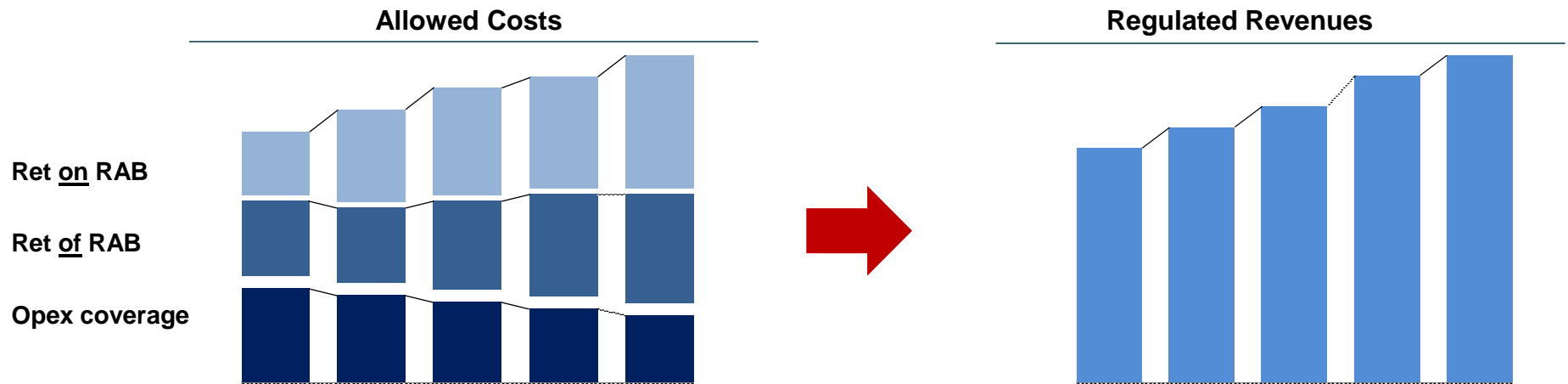
## Actual traffic vs forecast traffic

- **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

# Tariff Mechanism Explained

- □ 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

$\varepsilon$  = 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%
<b>(f) Pre-tax cost of debt = <math>c*(1-e)/(1-d)</math></b>	<b>5,92%</b>
(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%
<b>(o) Pre-tax cost of equity = <math>n/(1-d)</math></b>	<b>15,8%</b>
<b>(p) Pre-tax nominal WACC = <math>f * h+o*(1-h)</math></b>	<b>10,15%</b>
<b>(q) Post-tax nominal WACC = <math>p * (1-d)</math></b>	<b>6,35%</b>
(r) Inflation rate	1,50%
<b>(s) Pre-tax real WACC = <math>(1+p)/(1+r) - 1</math></b>	<b>8,52%</b>

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:

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

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 first 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