

2020 PRM Charges: Proposal

August 2019

PRM Update

Fiumicino airport

- The proposed PRM charge for FCO for 2020 is € 0.99/pax. Compared to the current € 0.96/pax, the increase is due to a rising number of assistances provided (356 thousand in 2018, assuming a +1.7% increase in 2019 and a further +1.3% in 2020) and an increase in labor costs due to an update of the national collective labor agreement
- The 2020 tariff proposal is also affected by the deficit (costs > revenues) that is reasonably forecast for the current year
- The 2020 staffing levels also take into account an increase in assistance travel times due to the transfer of some airlines' boarding area from Terminal 3 to Terminal 2
- As further information, in 2020 Full HR^(*) productivity recorded +0,4% vs 2019; other operating costs are being reviewed aiming for further restraint
- Forecast capex for 2019: n. 3 Ambulift, 5 Minivan, 40 wheelchairs with luggage racks, extraordinary maintenance worth around € 925k (in total)

Ciampino airport

- The proposed PRM charge for CIA for 2020 is € 0.17/pax, unchanged relative to the level currently applied
- For 2020 staff sizing is seen unchanged (9,0 FTEs) and Full HR^(*) productivity is assumed to rise by 1,9% vs 2019, while cuts in other costs can be envisaged for actions of containment

^(*) Full HR includes additional hours of work, represented as monthly average

- **Financial statement and breakdown of costs**

- Method for determination of the charges
- Charges Proposal 2020
- Additional information

ADR Assistance: 2018 financial statements and statement of costs^(*)

(Values expressed in € '000)

Statutory Summary	2018	Management Detail	Income statement 2018 (a)	Allowed Costs			CHANGE compared to the income statement (c=b-a) ⁽¹⁾
				System (b)	FCO	CIA	
6. For Raw Materials, Subsidiaries, Consumables and Goods	374	Personnel costs ⁽²⁾	16.258	16.265	15.889	375	7
7. For Services	3.109	Recovery of personnel costs ⁽³⁾	0	(232)	(227)	(5)	(232)
8. For Use of third party assets	445	IRAP ⁽⁴⁾	0	222	216	5	222
9. For Staff	15.391	Consumables	360	366	357	8	5
10. Depreciation, amortization and write-downs	612	Ordinary maintenance	805	829	810	19	24
10. Provisions for risks and charges	29	Cleaning	65	65	64	2	0
14. Other operating expenses	95	Utilities and Heating	250	250	244	6	0
		Provisions ⁽⁵⁾	29	0	0	0	(29)
		Services from third parties	1.025	1.012	989	23	(13)
		Professional Consultancy/Services	45	54	52	1	8
		Rentals/Fees/Leases	429	429	419	10	0
		Insurance companies	40	39	38	1	(1)
		General Expenses	136	135	132	3	(0)
		Depreciation ⁽⁶⁾	612	567	564	2	(45)
		Remuneration of Invested Capital ⁽⁶⁾	0	179	179	0	179
Total Production Costs	20.054	Total costs	20.054	20.179	19.728	451	126

2018	Determination of IRAP
15.391	Production Costs - B.9 - For Personnel
(10.794)	Personnel costs that are non-deductible for IRAP
4.597	Personnel costs that are non-deductible for IRAP
4,82%	IRAP tax rate

System	FCO	CIA
4.597	4.491	106
222	216	5

- (1) Some differences with respect to the financial statement refer to revaluation updates of previous years, excluded from allowable costs
- (2) Minor labor costs include recoveries for seconded personnel, or personnel employed in other services, recorded in the financial statements among other income (Value of Production)
- (3) Labor costs include the reclassification of some costs for services to the employees (canteen, transport, training, per diem, etc.)
- (4) A portion of the IRAP attributed to the non-deductible portion of labor costs is considered as eligible cost
- (5) Cost allowances for risks, as well as financial and extraordinary charges are not included in allowable costs
- (6) Values deriving from the application of standard depreciation rates. Fixed assets are recognized in the year following the year of actual acquisition (annual revaluation as per ERA)
- (7) Values deriving from the application of real pre-tax WaCC of the regulatory period 2017-2021 (8.52%) on RAB at the beginning of the year, amounting to € 2,099 thousand for FCO and € 3 thousand for CIA

(*) ADR Assistance's operating costs are allocated to FCO and CIA on the basis of the number of full time equivalents operating on each site

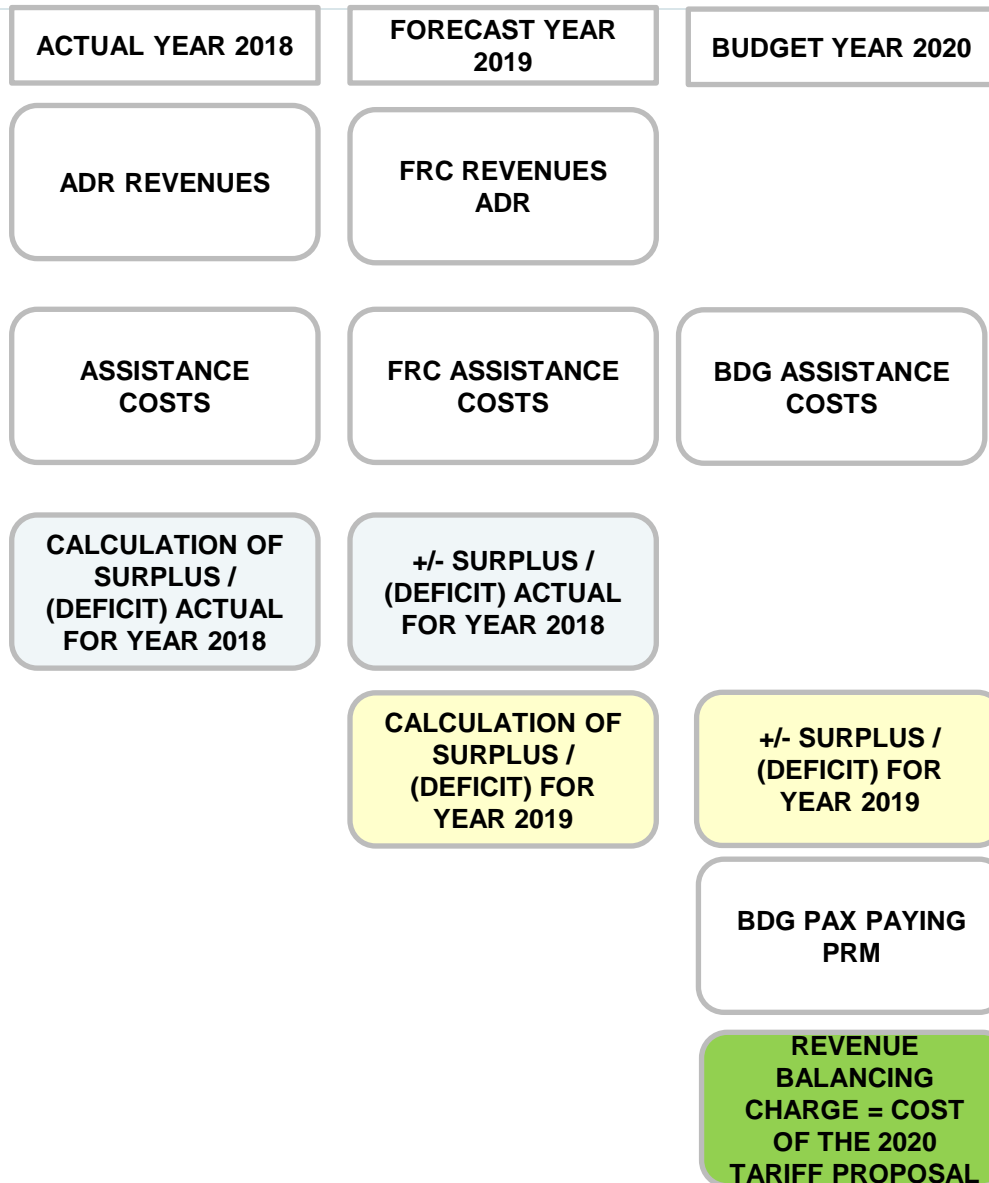
- Financial statement and breakdown of costs

- **Method for determination of the charges**

- Charges Proposal 2020

- Additional information

Determination of the charges (1/2)



Process leading to yearly charges update

- The parties meet on a regular basis (at least once every year) to define new quality objectives and to share suggestions for improving the service
- Along this path, the approval of the updated charges proposal is one of the opportunities for discussion
- The regulatory model provides for eliminating any surplus/deficit recorded/forecast through the determination of the charges for the following year
- Role of ENAC: settlement of disputes (ISA) and formal approval of the updated charges

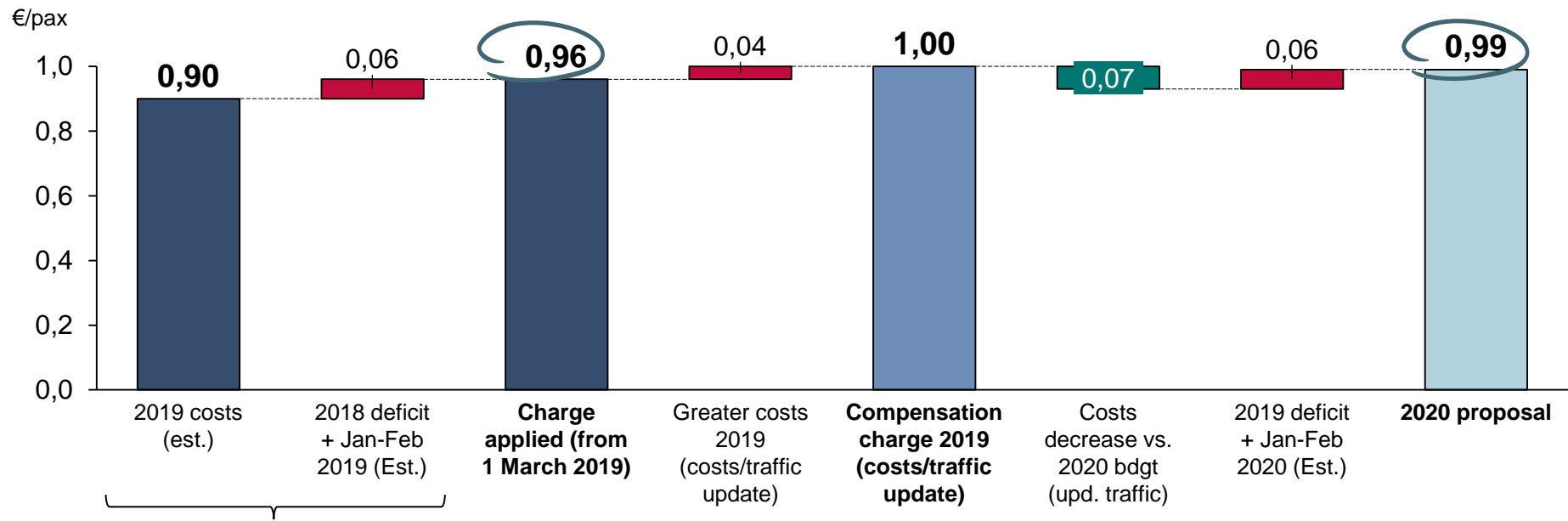
Determination of the charges (2/2)

- During the consultation for last year's tariff proposal, ADR proposed to users the evaluation of the possibility of introducing a tariff system from 2020 to reward airlines that are most respectful of PRM assistance service advanced booking (within 36 hours from the scheduled time of the arriving or departing flight)
- To this end, on April 2 ADR convened the Fiumicino Users Committee for further information on the subject, sharing with participants a set of data relating to the historical trend of service advanced booking by airline and some examples of application of differentiated PRM charges in other EU airports
- In the wake of the meeting, the User Committee has notified ADR of its favor for the maintenance of a single charges
- Also in consideration of this feedback, ADR decided for the moment not to further investigate the possibility of modifying the structure of PRM charges. In fact:
 - data of under-performing carriers suggest structural reasons for such deficits that can hardly be solved by resorting to price leverage (adding to this is the reduced impacts on the overall average tariff allowed under the current regulatory framework)
 - the cost structure of ADR Assistance is already sized in consideration of the level of assistance provided given the historic track record of daily flight schedules, regardless of the level of booking
 - short-term elements such as poor traffic predictability and the temporary inefficiencies that the service may suffer due to the ongoing infrastructure development also contribute to this decision

In the future, on specific requests from users and after hearing ENAC, ADR may decide to reopen the discussion on the matter

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PRM FCO: 2020 charges proposal^(1/2)



2018 Consultation with users

An updated re-forecast of costs for 2019 shows that the FCO PRM fee currently applied (€ 0.96 / pax) does not fully represent the underlying cost structure, mainly due to an increase in number of assistances greater than that of paying passengers

In accordance with the principle of correlation between service costs and revenues - which for PRM is applied with a rolling rebalancing in the following year - the above differential transfers an increase of 3 cents to the 2020 charges under proposal (from 1 March 2020), including January and February

As in previous years, the proposal of € 0.99 / pax **does not** take into account in the tariff the costs for personnel allocated to the service provided to RFI

PRM FCO: 2020 charges proposal^(2/2)

Charges Proposal 2020 (€./000)	FIUMICINO AIRPORT		
	Act 2018	FRC 2019	FRC 2020
Personnel costs/IRAP	15.879	16.956	17.278
Other Operating Costs	3.106	2.853	2.660
Amortization	564	443	578
Cost of capital	179	143	190
Recovery (Surplus)/Deficit previous years	(126)	1.332	1.244
(1) Total Costs + Recovery Previous year	19.602	21.728	21.950
Total Paying Pax (/000)	21.244	21.619	22.159

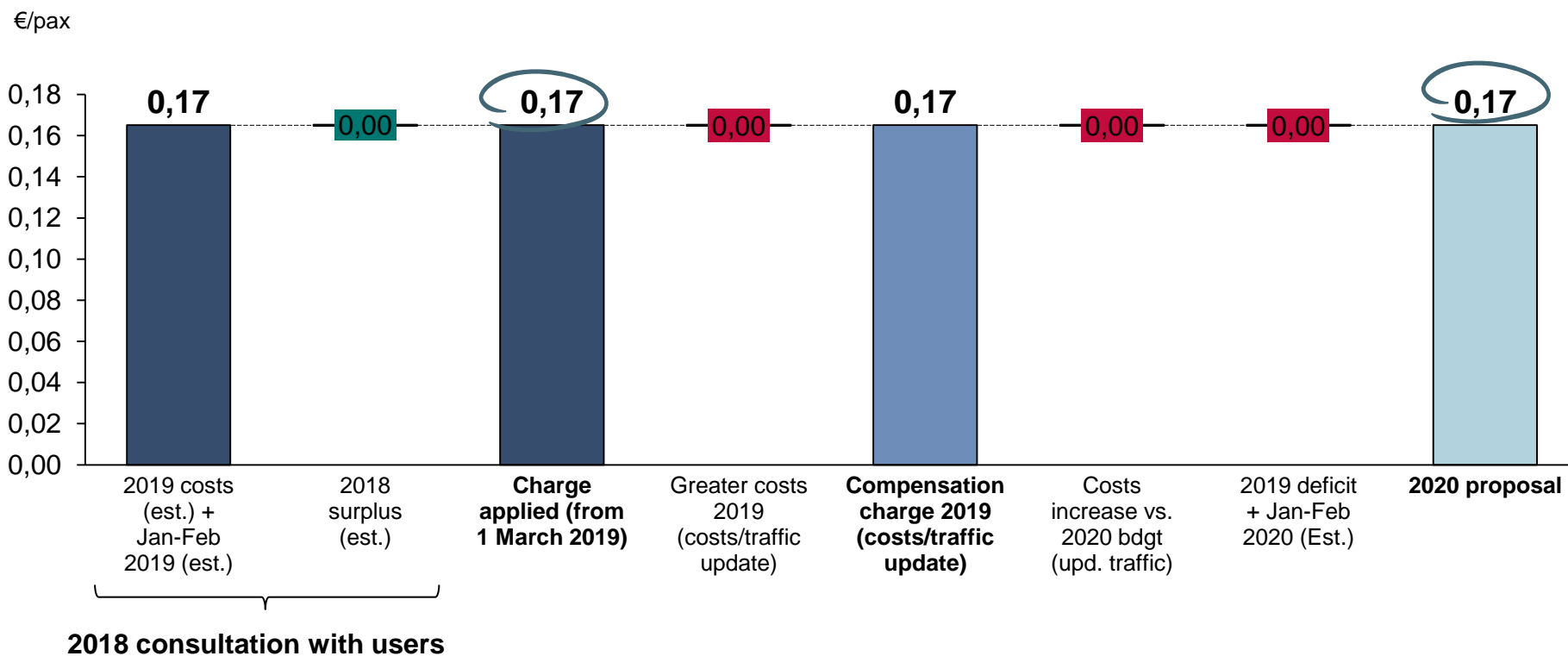
	Act 2018	FRC 2019	FRC 2020
Charge Applied January-February	0,86	0,86	0,96
Charge Applied March-December	0,86	0,96	0,99
(2) Total revenues	18.270	20.484	21.950

(3) = (2-1) Surplus / (Deficit) accumulated at 31 December	(1.332)	(1.244)	0
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Fiumicino airport	Act 2018	FRC 2019	FRC 2020
Total passengers (/000)	42.995	43.285	43.860
Assistances	355.540	361.627	366.406
PRM Index/1000 pax	8,27	8,35	8,35
Assistances/FTE (monthly average)	342,5	358,4	369,7
Total FTEs	379,6	377,7	381,0
Assistances / FTE full HR (monthly average)	78,0	79,8	80,1

- At FCO the 2018 final balance recorded a deficit of € 1,332 thousand (ADR SpA revenues of € 18,270 thousand against allowable costs of € 19,602 thousand)
- The 2019 forecast assumes a further deficit of 1,244 € thousand
- 2020 is forecast to break even between expected costs and revenues, applying a charge of € 0.99 / pax

PRM CIA: 2020 charges proposal^(1/2)



PRM CIA: 2020 charges proposal^(2/2)

Charges Proposal 2020	CIAMPINO AIRPORT		
(€.000)	Act 2018	FRC 2019	FRC 2020
Personnel costs/IRAP	375	417	420
Other Operating Costs	73	72	66
Amortization	2	1	1
Cost of capital	0	1	1
Recovery (Surplus)/Deficit previous years	(107)	(4)	15
(1) Total Costs + Recovery Previous year	344	486	503
Total Paying Pax (/000)	2.898	2.897	2.900

	Act 2018	FRC 2019	FRC 2020
Charge Applied January-February	0,12	0,12	0,17
Charge Applied March-December	0,12	0,17	0,17
(2) Total revenues	348	471	503

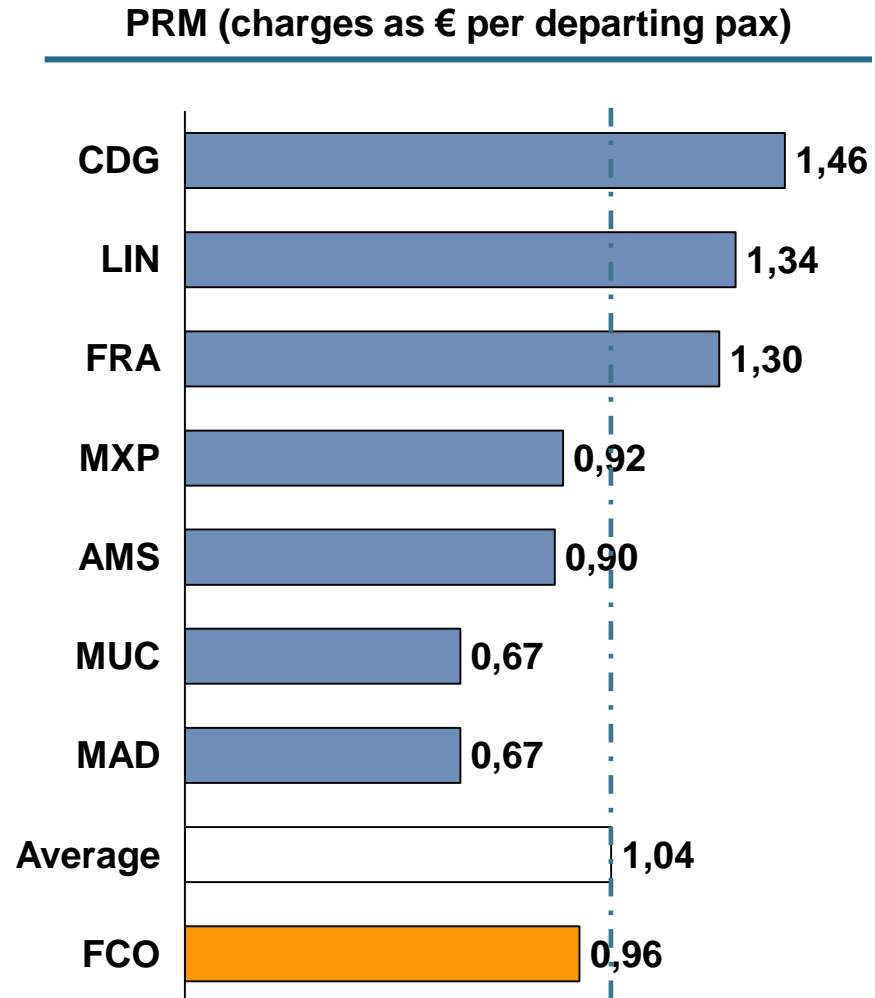
(3) = (2-1) Surplus / (Deficit) accumulated at 31 December	4	(15)	0
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Ciampino Airport	Act 2018	FRC 2019	FRC 2020
Total passengers (/000)	5.840	5.836	5.841
Assistances	12.822	13.168	13.181
PRM Index/1000 pax	2,20	2,26	2,26
Assistances/FTE (monthly average)	8,1	9,0	9,0
Total FTEs	8,7	11,2	11,0
Assistances / FTE full HR (monthly average)	122,9	97,9	99,7

- At CIA, the 2018 final balance substantially showed a break-even (surplus of € 4 thousand)
- For CIA in 2019 we forecast a deficit of approximately € 15 thousand between costs and revenues (ADR SpA revenues of € 471 thousand vs. Allowed costs of € 486 thousand)
- We expect to break even in 2020, starting on 1 March applying an unchanged charge of 2019 of € 0.17 / pax

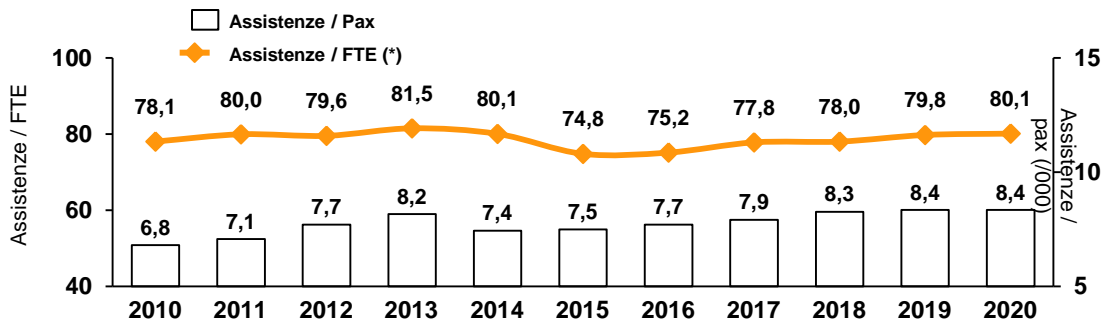
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PRM: benchmark on 2019 charges

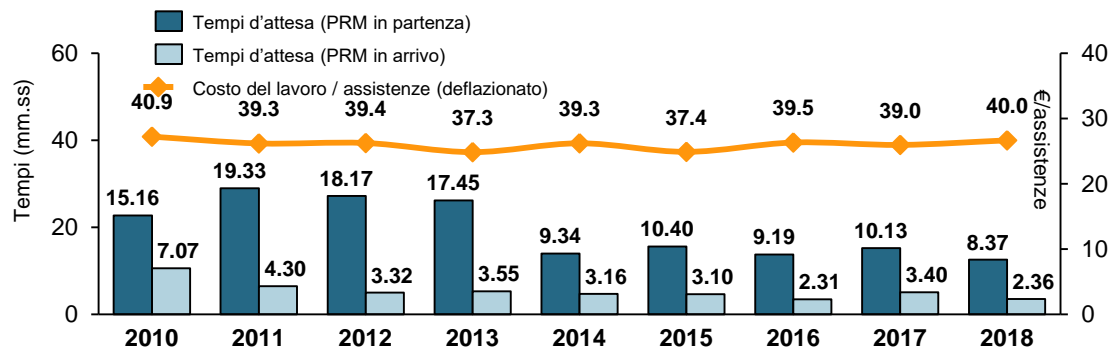


PRM FCO: 2010-2020

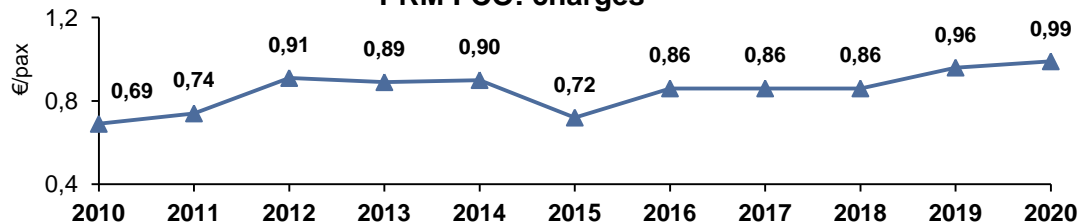
PRM FCO: assistance



PRM FCO: quality and costs



PRM FCO: charges

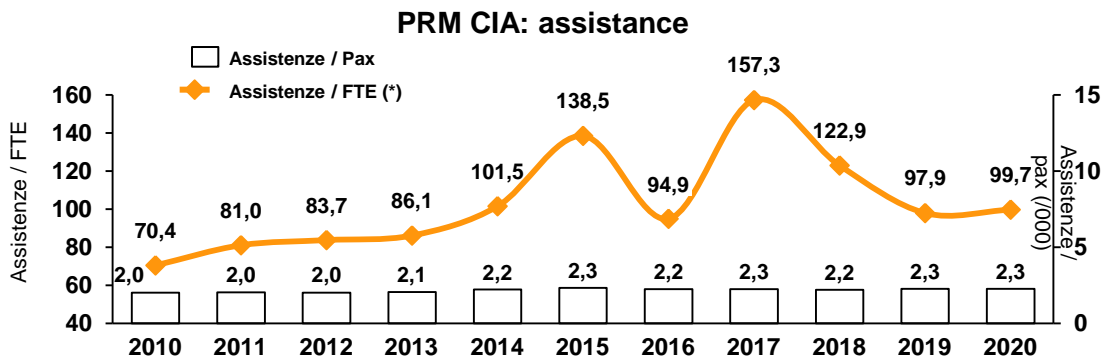


- Between 2010 and 2019 the performance of the PRM assistance / pax ratio for FCO is representative of market developments with the growth of low-cost carriers (market share from about 16% to about 28% in the period) which express an **offer less oriented to the profile of PRMs**

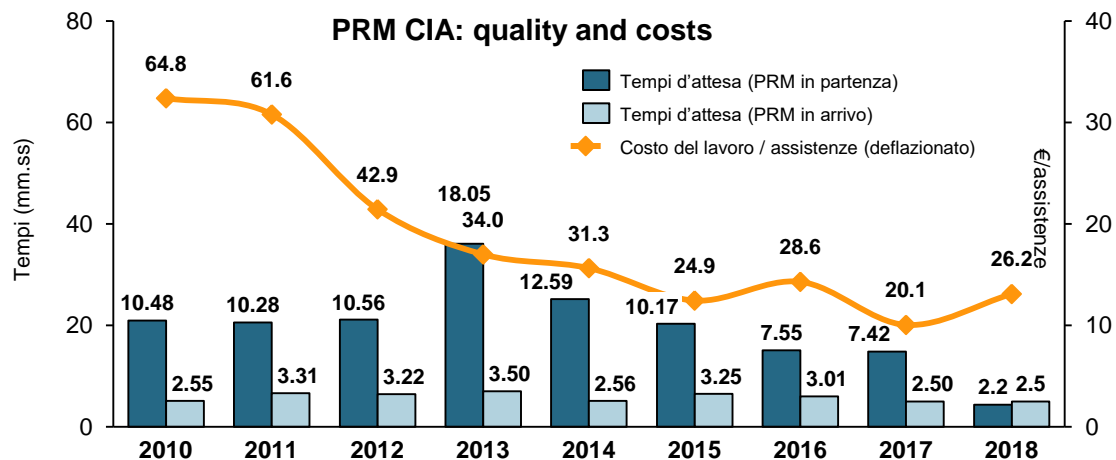
- The performance of quality indicators recorded significant improvements (almost halved waiting times) absorbing the changed conditions of the infrastructure (expansion of the service areas) without inefficiencies in terms of higher costs for users (net of inflation, the labor cost for assistance is slightly decreasing in the period)

- In the 2016-2018 three-year period the evolution of charges has shown a stable trend. In 2018, the growth in assistance above expectations (with an increase in the assistance / pax ratio) led to an increase in service costs well above the charges applied and consequently an increase in the 2019-2020 fees due to the recovery of the deficit

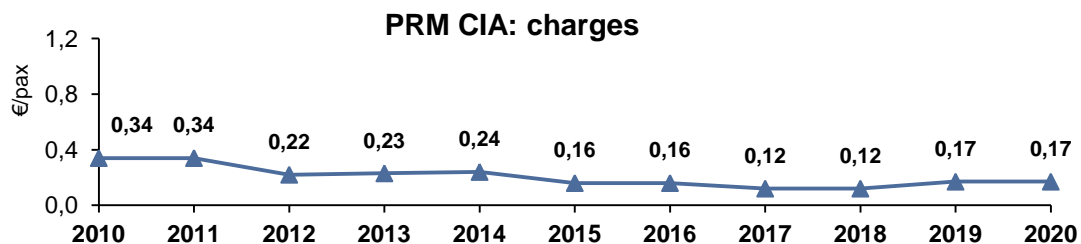
PRM CIA: 2010-2020



- Between 2010 and 2019 the trend of the PRM assistance / pax ratio for CIA is representative of the trend in the demand for assistance from the users with respect to a limited operating structure

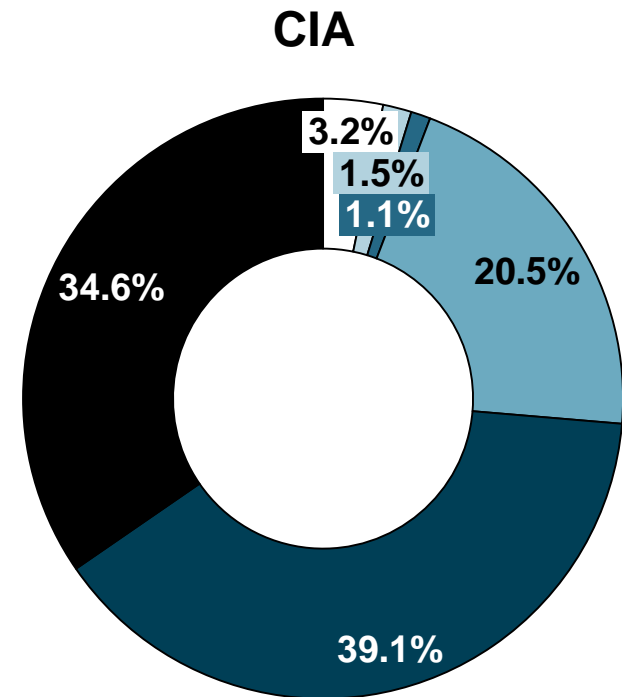
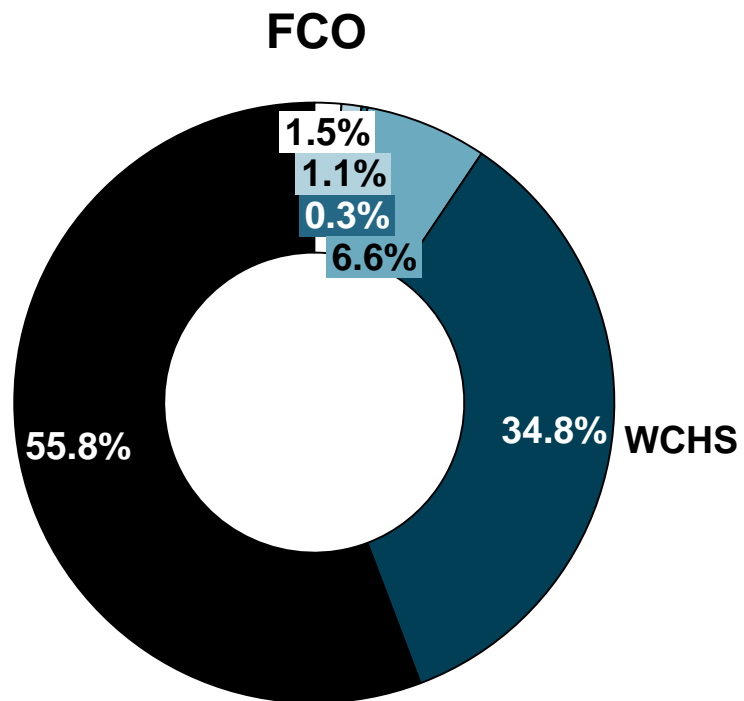


- Performance related to quality indicators recorded significant improvements (PRM start-up waiting times reduced by one third in 2018)



- In the 2017-2018 two-year period the evolution of charges has shown a stable trend. During 2019, the rise in personnel at the new reception hall resulted in a structural increase in service costs

2018 Assistance records for Fiumicino and Ciampino



- BLND
- DEAF
- DPNA
- WCHC
- WCHR

Tipologia di assistenza	Assistenze 2017	% 2017	Assistenze 2018	% 2018	2018 vs 2017
BLND	4.830	1,5%	5.175	1,5%	7,1%
DEAF	3.113	1,0%	3.813	1,1%	22,5%
DPNA	1.102	0,3%	1.134	0,3%	2,9%
WCHC	22.744	7,0%	23.346	6,6%	2,6%
WCHS	112.137	34,6%	123.827	34,8%	10,4%
WCHR	180.598	55,7%	198.245	55,8%	9,8%
Totale	324.524	100,0%	355.540	100,0%	9,6%

Tipologia di assistenza	Assistenze 2017	% 2017	Assistenze 2018	% 2018	2018 vs 2017
BLND	533	4,0%	413	3,2%	(22,5%)
DEAF	272	2,1%	197	1,5%	(27,6%)
DPNA	172	1,3%	135	1,1%	(21,5%)
WCHC	3.055	23,1%	2.632	20,5%	(13,8%)
WCHS	4.538	34,2%	5.009	39,1%	10,4%
WCHR	4.683	35,3%	4.436	34,6%	(5,3%)
Totale	13.253	100,0%	12.822	100,0%	(3,3%)