

## CONSULTATION DOCUMENT

Given that:

- on 27/02/2020 GESAP Company provided for the formal transmission to ART of the definitive proposal to modify the airport charges, accompanied by all the necessary documentation, referred to in the Hearing of February 25<sup>th</sup>, communicating the closure of the User consultation procedure concerning the proposal to update the level of airport charges to be applied in the 2020/2023 tariff period ;

Given that :

- on 03/04/2020, GESAP, given the emergency situation created by Covid 19, whose operational, economic and financial impacts, difficult to predict, would certainly have changed the assessment bases for determining the Four-Year Investments Plan and related traffic forecast for the four-year period 2020-2023, brought to the attention of the Authority the need to deepen the analysis of the context in order to seriously reflect on the evolution of all the economic components connected to the air transport system
- on 09/04/2020 the Authority, with Resolution n.80, having verified the Reference Tariff Model approved with Resolution ART 92/2017, ordered to:
  - o apply, with entry into force on May 1<sup>st</sup> 2020 and on a temporary basis until December 31<sup>st</sup> 2020, the level of airport charges resulting from the consultation phase closed on February 27<sup>th</sup> 2020
  - o recalculate the level of charges for the entire tariff period, adopting the changes imposed by the Authority with Resolution n.80, also taking into account the new traffic forecasts and rescheduling of planned investments resulting from the effects of the emergency and prospective context
  - o call, at the same time as the transmission of the new tariff proposal to be made by September 18<sup>th</sup>, a new hearing of airport users
- On 25/09/2020, given the persistence of the emergency conditions that did not allow to estimate any economic-financial forecast both in the short, medium and long term, considering the devastating impact on the economics of the Company, given the need to maintain commitments on the side of the investments necessary to protect the infrastructure and considering the importance to be attributed to traffic forecasts - a basic element for defining the tariff proposal, the Four-Year Investment Plan and the related financial documentation certifying its sustainability - not yet clear

and difficult to estimate, the Company officially asked the Authority for a postponement of the start of the consultation

- On 29/09/2020, with Resolution 162/2020, the Authority accepted the Company's request, establishing October 19<sup>th</sup> as the latest date for the start of the Consultation with users

We inform you that on 16/10/2020, the Company GESAP S.p.a. (hereinafter also referred to as "GESAP" or "the company"), entrusted with the management of Palermo-Punta Raisi airport, has notified the Transport Regulation Authority (ART) to have scheduled for the day 19/10/2020 the start of the Consultation of the Users of their airport on the proposal to revise the Airport Charges for the 2020/2023 Tariff Period following the amendments and prescriptions received with Resolution 80 of April 9<sup>th</sup> 2020 and in compliance with the deadlines set by Resolution 162 of May 21<sup>st</sup> 2020

In accordance with the provisions of Article 4.1 of the Model 1 for the Regulation of Airport Charges for airports with traffic greater than 5 million passengers / year - approved by ART with Resolution 92/2017 - the following information / documents are reported to modify and integrate what is reported in the previous information document of the Hearing of February 25<sup>th</sup>

- a) duration of the Tariff Period and estimated date of its entry into force;
- b) outline of the proposed revision of airport charges, its motivations and its main impacts with respect to current fees;
- c) list of airport charges and fees in force at the date of launching of the consultation;
- d) dynamics of airport charges and fees proposed for the Tariff Period, including a separate table the charges to which ART Model 1 refers (ground handling service if carried out in monopoly and assistance to passengers with reduced mobility);
- e) description of the application given to the methodology for the calculation of airport charges provided by ART Model 1 ,with evidence of the main parameters used;
- f) outline of mechanisms and objectives for annual efficiency proposed for the tariff period, and its impact on operating costs, in accordance with the contents of ART Model 1 in paragraph 8.4.4;
- g) outline of proposals for sustainability thresholds of traffic risk, with clarification of Y, W parameters (expressed in percentage points referring to the WLUs matured compared to those estimated ex-ante),for the purpose of the application of the traffic risk mitigation mechanism as of paragraph 8.13 of ART Model 1 ;
- h) expression of parameter Z (expressed in percentage points),aiming at apply the profit sharing mechanism pursuant to paragraph 8.4.5 of ART Model 1 ;
- i) criteria and methods for allocating the cost, for each regulated product and for all the non-regulated products, of the interventions included in the four-year plan referred to in paragraph 4.1.3 of ART Model 1 ;
- j) outline of any proposals for simplification and consolidation of the regulated products, made on the basis of what is indicated in paragraph 7.2.1 of ART Model 1 ;
- k) outline of any tariff basket proposals, made on the basis of what is indicated by ART Model 1 in paragraph 7.2.2. with evidence: the reasons for the baskets; the criteria for reshaping the tariffs of the individual products; of the unit fees deriving from the application of the basket, as resulting

before and after the tariff adjustment;

- l) outline of any proposals for sub-articulations of charges , made on the basis of what is indicated in paragraph 7.2.3 of Model 1 ART;
- m) outline of the incremental charges expected in the Tariff Period, in application of legislative and regulatory provisions;
- n) outline of the methods of use of any figurative items, in application of the measures referred to in paragraph 8.10.3 of the Model 1 ART.

**a) Duration of the Tariff Period and expected date of its entry into force**

The proposal to revise the Airport Charges, subject of this Consultation, refers to the 2020/2023 Tariff period.

The year 2018 - the last financial year for which the certified regulatory accounting data are currently available - constitutes the Base Year of reference of the Tariff Period. The year 2019 - which intervenes between the Base Year and the first year of the Tariff Period - constitutes the reference Transition Year of the Tariff Period.

**b) Outline of the proposed revision of airport charges, its reasons and its main impacts with respect to current fees**

The proposed revision of airport charges comes at the end of the 2016-2019 Tariff Period, responding to the need to review airport charges as required by current legislation.

The tariffs have been calculated according to what defined by ART Model 1 ,referred to in the Annex A1 to the Resolution no. 92/2017 of July 6<sup>th</sup> 2017. As required by the aforementioned resolution, the calculation model establishes the airport charges taking into account the projection of the operating costs of the Airport Operator, its efficiency parameters and the projection of the Net Invested Capital of the Airport Operator in the Tariff Period .

Table 1 shows the tariffs drawn up and the comparison with the tariffs currently in force.

### Tariff Basket and Subarticulations- Comparaison with Current Tariffs

#### Basket Tariffario e Sottoarticolazioni - Confronto Tariffe Vigenti

Basket Tariffario e Sotto articolazioni	Tariffe attualmente in vigore	Anno 1	Δ Anno 1-attuale	Anno 2	Δ Anno 2-attuale	Anno 3	Δ Anno 3-attuale	Anno 4	Δ Anno 4-attuale	Unità di misura	
<b>APPRODO E PARTENZA</b>											
<i>fino a 25 t Winter</i>	2,09	2,67	0,58	2,67	0,58	2,67	0,58	2,67	0,58	€/ton	
<i>oltre le 25 t Winter</i>	2,88	3,67	0,79	3,67	0,79	3,67	0,79	3,68	0,80		
<i>fino a 25 t Summer</i>	2,59	3,31	0,72	3,31	0,72	3,31	0,72	3,31	0,72		
<i>oltre le 25 t Summer</i>	3,56	4,55	0,99	4,55	0,99	4,55	0,99	4,55	0,99		
<b>SOSTA</b>	0,76	0,50	-0,26	0,50	-0,26	0,50	-0,26	0,50	-0,26	€/ton h	
<b>IMBARCO PAX ADULT</b>											
<i>Intra UE</i>	9,82	9,50	-0,32	10,59	0,77	12,71	2,89	12,70	2,88	€/depax	
<i>Extra UE</i>	13,07	12,65	-0,42	14,09	1,02	16,91	3,84	16,91	3,84		
<b>IMBARCO PAX CHILDREN</b>											
<i>Intra UE</i>	4,91	4,75	-0,16	5,29	0,38	6,35	1,44	6,35	1,44		
<i>Extra UE</i>	6,54	6,32	-0,21	7,04	0,51	8,46	1,92	8,45	1,92		
<b>MERCI</b>	0,80	0,50	-0,30	0,50	-0,30	0,50	-0,30	0,50	-0,30	€/kg	
<b>SICUREZZA PAX</b>	1,72	2,57	0,85	2,57	0,85	2,57	0,85	2,57	0,85	€/depax	
<b>SICUREZZA BAGAGLIO DA STIVA</b>	0,91	1,20	0,29	1,20	0,29	1,20	0,29	1,20	0,29	€/depax	
<b>SICUREZZA IMBARCO E SBARCO MERCI</b>	0,63	0,54	-0,09	0,50	-0,13	0,46	-0,17	0,43	-0,20	€/kg	
<b>PONTILI</b>											
<i>primi 45'</i>	66,00	65,24	-0,76	72,54	6,54	80,81	14,81	90,44	24,44	€/h	
<i>successivi 15'</i>	20,62	20,38	-0,24	22,66	2,04	25,25	4,63	28,26	7,64		
<i>successivi 30'</i>	41,24	40,77	-0,47	45,32	4,08	50,49	9,25	56,51	15,27		
<i>successivi 45'</i>	61,87	61,16	-0,71	68,00	6,13	75,75	13,88	84,78	22,91		
<i>successivi 60'</i>	82,49	81,54	-0,95	90,66	8,17	101,00	18,51	113,03	30,54		
<i>successivi 75'</i>	113,43	112,13	-1,30	124,66	11,23	138,88	25,45	155,43	42,00		
<i>successivi 90'</i>	144,35	142,69	-1,66	158,65	14,30	176,74	32,39	197,80	53,45		
<b>STOCK MERCI</b>	1,55	1,33	-0,22	1,22	-0,33	1,12	-0,43	1,03	-0,52	€/kg	
<b>PRM</b>	1,05	0,68	-0,37	0,91	-0,14	0,91	-0,14	0,92	-0,13	€/depax	
<b>FUELING</b>	61,65	38,00	-23,65	34,61	-27,04	34,61	-27,04	34,61	-27,04	€/m <sup>2</sup>	
<b>BANCHI CHECK-IN</b>											
<i>Canone annuo per banco</i>	13.886	16.725	2.839	16.858	2.972	16.992	3.106	17.126	3.240	€/banco anno	
<i>Canone annuo per banco sala vip</i>	20.464	24.648	4.184	24.844	4.380	25.040	4.577	25.239	4.775		
<i>Corrispettivo per ore extra</i>	14,19	17,09	2,90	17,23	3,04	17,36	3,17	17,50	3,31		
<b>LOCALI E SPAZI OPERATIVI</b>											
<i>Uffici</i>	496,23	447,96	-48,27	448,05	-48,18	448,06	-48,17	448,52	-47,71	€/h	
<i>Locali operativi</i>	396,55	357,97	-38,58	358,05	-38,50	358,06	-38,49	358,42	-38,13		
<i>Aree di servizio</i>	296,90	268,02	-28,88	268,07	-28,83	268,08	-28,82	268,35	-28,55		
<i>Aree esterne</i>	35,67	32,20	-3,47	32,21	-3,46	32,21	-3,46	32,24	-3,43		

### c) List of airport charges and fees in force at the date of the launch of the consultation

The list of airport charges in force at the date of launching of the consultation is shown in the following Table 2.

**Table 2**  
Tariff basket and sub articulations – Tariffs in force

Tariff basket and subarticulations	Tariffs actually in force	Unit of meas
<b>Take off and landing</b>		
<i>Up to 25 t winter</i>	2,09	€/ton
<i>over 25 t winter</i>	2,88	
<i>up to 25 t summer</i>	2,59	
<i>over 25 t summer</i>	3,56	
<b>STOPOVER</b>	0,76	€/ton h

<b>PAX ADULT BOARDING</b>		
<i>Intra UE</i>	9,82	
<i>Extra UE</i>	13,07	
<b>PAX CHILDREN BOARDING</b>		
<i>Intra UE</i>	4,91	
<i>Extra UE</i>	6,54	€/depax
<b>FREIGHT</b>	0,80	€/kg
<b>PAX SAFETY</b>	1,72	€/depax
<b>HOLD BAGGAGE SECURITY</b>	0,91	€/depax
<b>FREIGHT LOAD AND UNLOAD SECURITY</b>	0,63	€/kg
<b>BRIDGES</b>		
<i>FIRST 45'</i>	66,00	
<i>FOLLOWING 15'</i>	20,62	
<i>FOLLOWING 30'</i>	41,24	
<i>following45'</i>	61,87	€/h
<i>following60'</i>	82,49	
<i>following75'</i>	113,43	
<i>following 90'</i>	144,35	
<b>STOCK OF GOODS</b>	1,55	€/kg
<b>PRM</b>	1,05	€/depax
<b>FUELING</b>	61,65	€/m <sup>2</sup>
<b>CHECK-IN DESKS</b>		
<i>Annual fee per desk</i>	13.886	
<i>Annual fee for vip hall desk</i>	20.464	€/desk year
<i>Fee for extra hour</i>	14,19	€/h
<b>Operational premises and areas</b>		
<i>offices</i>	496,23	
<i>Operational premises and areas</i>	396,55	€/h
<i>service areas</i>	296,90	
<i>outside areas</i>	35,67	

**d) Dynamics of airport charges and fees for ground handling service and assistance to PRM, proposed for Tariff Period.**

The dynamics of airport charges is shown below in Table 3, with details of the fees for assistance to passengers with reduced mobility (PRM) at the foot of the table, calculated in accordance with the EU Regulation 1107/2006 and the ENAC guidelines n.2018 / 001 (see details in Annex A). We underline, furthermore, the comparison with the current fee.

Ground handling services are not carried out in a monopoly regime and therefore not subject of this consultation document.

**Table 3**  
**Dynamics of airport charges and PRM fees**

Service	Unit of measurement	2020	
LANDING AND TAKE OFF	€/ton	3.16	
STOPOVER	€/ton h	0.50	
PAX BOARDING	€/depax	9.34	
FREIGHT	€/kg	0.50	
PAX SECURITY	€/depax	2.57	
HOLD BAGGAGE SECURITY	€/depax	1.20	
FREIGHT LOAD AND UNLOAD SECURITY	€/kg	0.54	
BRIDGES	€/h	106.37	
STOCK OF GOODS	€/kg	1.33	
CHECK-IN DESKS	Annual fee/desk	19 564.81	
OPERATIONAL PREMISE AND AREAS	€/mq	38.61	
FUELING	€/mq	37.68	
Fee	Current tariffs in force	2020	Δ Year 1-Current
PRM	1.05	0.68	-0.37

**e) Description of the application given to the methodology for the calculation of airport charges provided by ART Model 1 with evidence of the main parameters used**

The determination of the proposed Airport Charges for each year of the Tariff Period is in compliance with the provisions of Chapter 8 of ART Model 1 referred to in Annex A1 to Resolution no. 92/2017 of 6 July 2017.

Following the definition of the unit price at the Base Year of the single regulated product j-th (equal to the ratio between the total costs allowed and the respective service units), and of the evolution of the eligible operating and capital costs over the Period, the dynamics of the fees has been defined, in the Tariff Period, with the application of the following formula:

$$c_{t,j} = c_{0,j} \cdot \prod_{z=1}^t (1 + P_z - x_j + k_{z,j} + v_{z,j}) \cdot (1 + \varepsilon_{z,j})$$

where :

- t is the number of years of duration of the tariff period;
- $c_{0,j}$  represents the unit fee recognized per unit of traffic for the j service in the Transition year, including the cost of remuneration of the capital;
- $c_{t,j}$  represents the unit fee accepted per unit of traffic for service j in year t;

- $P_z$  is the resulting programmed inflation rate for the annuities of the period from the last available Economic and Financial Document (DEF);
- $x_j$  is a parameter determined so that, for the product  $j$ , the discounted value of the costs admitted in each year (assessed on the basis of the development of the base year costs) is equal, during the tariff period, to the discounted value of the corresponding revenues expected in each year, discounting the amounts at the rate of remuneration pursuant to paragraph 8.8 of Model 1 ART;
- $k_{z,j}$  is the tariff increase parameter of the product  $j$  to remunerate new investments, determined for each year  $z$  on the basis of the investments made in the immediately preceding year, in such a way that the change in the discounted value of the costs accepted for new investments is equal to the change in the discounted value of the expected additional revenues, discounting the amounts at the rate of remuneration pursuant to paragraph 8.8 of Model 1 ART;
- $v_{z,j}$  is the tariff increase parameter of the product  $j$  defined for each year  $z$  of the tariff Period due to the preliminary calculation of the incremental charges linked to the entry into force of new legislative and / or regulatory provisions and calculated so that the change in discounted value of estimated additional costs is equal to the change in the discounted value of the expected additional revenues, discounting the amounts at the rate of remuneration pursuant to paragraph 8.8 of the Model 1 ART, before tax.
- $\varepsilon_{z,j}$  is the parameter taking into account the overcoming or failure to achieve the quality and environmental protection objectives related to the product  $j$ , as established for each year  $z$  of the period.

During the Tariff Period, the evolution of eligible costs at the Base Year (OpEx and CapEx) and of cost discontinuities, for each regulated product and for the set of non-regulated products existing at the Base Year, is determined as described in the following paragraphs.

## OPEX

OpEx projection is given by the dragging, in the Tariff Period, of the eligible costs at the Base Year, updated at the transition year due to scheduled inflation only. For the years of the Tariff Period, for each regulated product, eligible costs have been projected in relation to the combined effect of: (i) planned inflation, (ii) change in traffic volumes, (iii) elasticity coefficients of each cost item as traffic changes, (iv) target of efficiency improvement, all calculated ex ante for each cost item and for each product, according to the following formula:

$$C_{t+1} = C_t \cdot (1 + \Delta t \cdot \eta) \cdot (1 + P_t - \pi e)$$

Where:

- $C_{t+1}$  e  $C_t$  are the values of each cost item (labor costs, consumables, maintenance, cleaning, utilities, third-party services, general expenses, use of third-party assets net of the concession fee<sup>11</sup>) per

<sup>11</sup> The concession fees refers to the dynamics provided for by the inter-dir. decree of June 30th Finance and Transport, published on the Official Journal Serie GENERALE n.155 of July 7th 2003

year  $t$  per year  $t + 1$ ;

- $\Delta t$  is the change in traffic expected in the years of the Period considered;
- $\eta$  is the value of the elasticity of the individual operating cost items with when the traffic changes (WLU) referred to in Table 4, reported in point 1 of paragraph 8.4.3 of the Model 1 ART;

**Table 4**  
**Values of elasticity**

Cost item	Elasticity
Labour costs	0.35
Consumable	0.30
Maintenance	0.20
Cleaning	0.25
Utilities	0.15
Third party services	0.25
General expenses	0.20
Use of third parties assets	0.25

- $\pi e$  is the objective of increasing productivity through efficiency proposed in consultation by the Airport Operator for the years of the Tariff Period. The value considered for the projection of operating costs is equal to  $0.3 \cdot P^{22}$ ;
- $P$  is the value of the resulting scheduled inflation rate - for the annuities corresponding to those of the Tariff Period - from the last available Economic and Finance Document<sup>3</sup>. For the years in which the planned inflation rate (2020, 2021, 2022, 2023) was not available, reference was made to the value of the last available year, as prescribed by ART Model 1.

The mechanism described above does not apply to the upgrade to the Transition Year of operating costs certified at the Base Year, which was used only at the inflation rate planned for that year, as can be seen from the last Economic and Finance Document.

The annual changes in the airport concession fee are defined, for each year of the Tariff Period, based on the expected calculation methods foreseen, respectively, by the inter-executive decree of 30 June 2003 and subsequent amendments and by the Decree of the Ministry of Transport of 13 July 2005.

<sup>2</sup> Average planned inflation rate for annuities of the Tariff Period

<sup>3</sup> Upgrade note DEF 2018(NADEF SEPTEMBER 2018)



We proceeded, however, to replace in the calculation the actual traffic volumes (WLU), which the aforementioned decrees refer to, with the traffic volumes (WLU) provided for each year of the Tariff Period and reported in Annex B.

Eligible operating costs in each year of the Tariff Period resulting from the application of the method described above are shown in Table 5 below.

**Table 5**

<b>Dynamics of eligible operating costs (Euro)</b>					
<b>Base Year</b>	<b>Transition Year</b>	<b>Year I</b>	<b>Year II</b>	<b>Year III</b>	<b>Year IV</b>
31,896,764	32,289,645	29,130,986	34,391,123	38,915,500	42,894,218

Concession fees deriving from regulatory provisions pertaining to regulated products

These charges include the following cost categories:

- Airport concession fee, defined according to the calculation method established by the inter-executive Decree of June 30, 2003 and subsequent amendments

The concession fees arising from regulatory provisions in each year of the Tariff Period are shown in the following table.

<b>Dynamics of concession fees (Euro)</b>					
<b>Base year</b>	<b>Transition year</b>	<b>Year I</b>	<b>Year II</b>	<b>Year III</b>	<b>Year IV</b>
3,248,694	3,488,210	1,378,289	2,115,459	2,899,564	3,636,985

<b>Dynamics of concession fees (Euro)</b>					
<b>Base year</b>	<b>Transition year</b>	<b>Year I</b>	<b>Year II</b>	<b>Year III</b>	<b>Year IV</b>
3,248,694	3,488,210	1,378,289	2,115,459	2,899,564	3,636,985

**CAPEX**

The projection of CapEx in each year of the Tariff Period is obtained by considering:

- Annual costs for depreciation allowances, defined ex ante in relation to the evolution, in the Tariff Period, of fixed assets eligible for the Base Year in relation to their depreciation period;

- the annual remuneration determined with the application of the relative rate (WACC) on the residual Net Invested Capital, resulting at the end of the immediately preceding year.

With regard to the valuation of assets to be attributed to Net Invested Capital at the Base Year, in accordance with what has already been done for the previous Tariff Period, the net current value, expressed on the basis of the revaluation index referred to in paragraph 8.7 of the Model 1 ART, was chosen.

The remuneration of NIC, relating to the Base year and to each year of the tariff period has been calculated ex ante, applying the pre-tax real WACC, defined as set out in paragraph 8.8 of the Model 1 ART, at the NIC value of the beginning of the year.

The Net Invested Capital, identified at the Base Year of each Tariff Period for the regulated fees, consists of the following items:

- tangible and intangible fixed assets, carried out by the Airport Operator in self-financing (and therefore net of public contributions), expressed at their current value, and considered before the statutory depreciation fund and net of the technical-economic amortization fund, also expressed at current value;
- balance between receivables from customers and payables to suppliers, resulting from the financial statements at the base year, calculated as indicated below.

Receivables from customers, entered in the balance sheet, increased by the value of the bad debt provision, have been allocated to the single product (regulated, not regulated, not applicable) according to the pertinent criterion, or, alternatively, based on the turnover driver. The credits allocated in this way were considered within the limit of 25% of the regulatory costs eligible for each product at the Base year, the latter including the cost of capital.

Payables to suppliers, entered in the balance, have been allocated to the single product (regulated, not regulated, not applicable) according to the pertinent criterion, or, alternatively, based on the driver of external direct costs, which can be deduced from the set of operating costs and amortizations allocated directly in the analytical accounting schemes, net of personnel costs.

For the purpose of calculating the balance in question, receivables from customers and payables to suppliers have not been allocated to regulated products pertaining to the passenger (Pax boarding, Pax and hold security, PRM), in order not to burden on it the charge of delays attributable to others.

Once receivables and payables were allocated as described above, the relative balance for each product was calculated.

- Operations in Process (LIC) at the Base year, within the limits of their accounting value resulting from the financial statements of that year. From the value of the Operations in Process at the Base Year,

the amount of projects entered as the “LIC”(operations in process) has been deducted, that are accepted in tariff through the parameter k referred to in paragraph 8.10.1 of the Model 1 ART, upon entry into operation of the work to which the project refers.

The value of the Invested Net Capital in the Base year has been updated to the Transition Year due to the planned inflation foreseen for this year.

Development, for each year t of the Tariff period, of the tangible and intangible fixed assets existing at the Base year was carried out ex ante, annually deducting the relevant depreciation rate and updating the residual value to be remunerated according to the following formula:

$$(VNR)_{1^{\circ} \text{ gennaio anno } t} = (VNR)_{31 \text{ dicembre anno } t-1} \cdot (1+P).$$

where:

$$(VNR)_{31 \text{ dicembre anno } t-1} = [(VNR)_{1^{\circ} \text{ gennaio anno } t-1} - (AMM)_{\text{anno } t-1}]$$

with:

- P programmed inflation rate, for each year of the Regulatory Period, as resulting from the latest available Economic and Finance Document;
- (VNR) is the net residual value of tangible and intangible assets;
- (AMM) represents the amortization of tangible and intangible assets.

The technical-economic depreciation rates considered are those shown in the Table in point 3 of paragraph 8.6 of ART Model 1

For assets freely transferable upon expiry of the airport concession, financial depreciation was chosen where it was more favorable to users.

Depreciation is expressed at current values consistent with the approach used to determine the Net Invested Capital.

The development, for each year t of the Tariff Period, of the credit / debit balance allocated to the single product was obtained by multiplying the value of the previous year by the programmed inflation rate, for the annuities of the Tariff Period, as resulting from the last Document of Economics and Finance available.

As regards the dynamics of the work in progress during the period, the value eligible for the base year has been kept constant, up to the possible entry into operation of the work in the period, and updated annually, based on the arithmetic average of the inflation rate. scheduled, for the years of the tariff period, as resulting from the last available Economic and Finance Document.

Remuneration on invested capital pertaining to regulated products

The remuneration on the capital invested in each year of the Tariff Period is determined by applying the value of the WACC (expressed in real pre-tax terms) to the value of the Net Invested Capital (CIN) - expressed at current values - pertaining to the products regulated in that year .

The value of the WACC is estimated in accordance with the calculation method described in paragraph 8.8 of ART Model 1. The following table summarizes the approach used to estimate each parameter included in the WACC formula.

**Table 7**  
**WACC Parameters**

Parameter	Estimation approach	Source
Quota of financial debt [D/(D+E)]	Ratio between gross financial debt ( $D^{34}$ ) in the last available calendar year (average values at the beginning and end of the year) and the sum of this value and net assets ( $E^5$ ) in the Base Year (average values at the beginning and end of the year ). D/E: 0.20 D/(D+E): 17%	2018 Balance Sheet
Risk free rate (Rf)	2.06% <sup>6</sup>	Art. 8.8.2 of ART Model 1
Average cost of debt capital (Rd)	The average cost on the capital of the financial debt has been found with reference to the average values, of beginning and end of the year, taken from the balance sheet coinciding with the Base Year. Furthermore, the concession fees are considered, taking into account (i) ancillary charges related to insurance coverage on the risk of fluctuating rates, (ii) ancillary charges directly linked to the debit / bond issue (administrative, legal, bank charges). Rd=Rf+Pd: 4.06%	2018 Balance Sheet
Premium on debt	The debt premium is calculated as the difference between the average cost of financial debt and the risk free rate. The guidelines are intended to confirm, in the transitional phase, the debt premium up to a maximum of 2 percentage points. A Debt Premium of 0.0% was considered in favor of the user	Art. 8.8.4 of ART Model 1

<sup>4</sup> Calculated as the average financial debt 2017 - 2018

<sup>5</sup> Shareholders' equity 2018 "base year"

<sup>6</sup> Average daily returns of BTPs for the previous 12 months starting from December 2019

Asset beta	Arithmetic mean of beta assets of comparable <sup>47</sup> companies. The beta assets are calculated starting from the betas adjusted equity of the comparable companies, estimated using weekly observations over the three-year time horizon from 1 January 2014 to 31 December 2019. $\beta_a = 0.63$ $\beta_e = \beta_a * [1 + (1 - \text{tires}) * (D/E)]: 1.10$	Bloomberg
Leverage (D/E)	In accordance with the guidelines, the adoption of a notional value for the leverage ratio, in the transitional phase, was considered appropriate D / E = 1	Art. 8.8.5 of ART Model 1
Tax rates	IRES = 24% IRAP = 5.12% <sup>8</sup>	National Rules
Inflation	Average planned inflation rate for 2020/2023 (0.80%).	DEF 2018 Planned Inflation Rate

Applying the methodology foreseen in the art. 8.8 of ART Model 1, the pre-tax nominal WACC value for the Tariff Period for Palermo-Punta Raisi airport is 10.27%. The value of the real pre-tax WACC is 9.39%. For each regulated product, the value of the Net Invested Capital in each annuity of the Tariff Period is determined in accordance with the method provided for in Article 8.5 of ART Model 1.

In particular, the NIC at the Base Year pertaining to the regulated products includes the following items:

- a) tangible and intangible fixed assets realized in self-financing, expressed at current values at the Base Year, as resulting from the regulatory accounting certified at the Base Year, adjusted through the application of the deflator of gross fixed investments pursuant to art. 8.7 of ART Model 1;
- b) balance between receivables from customers - up to 30% of the regulatory costs allowed - and payables to suppliers, as resulting from the regulatory accounting certified at the Base Year;
- c) operations in process expressed at their book value, as shown in the budget at the Base Year.

The dynamics of each item included in the NIC during the tariff Period is determined in accordance with the provisions of art. 8.5 and following of ART Model 1.

<sup>7</sup> The companies considered comparable are Copenhagen Airport, Kastrup; Frankfurt am Main Airport; Paris Charles de Gaulles Airport; Vienna International Airport; Zurich Airport.

<sup>8</sup> Source: Revenue Agency.

### Cost discontinuity for new investments

For the purposes of calculating the **parameter k** as per the formula shown on page ., account was taken of the cost discontinuities, determining the estimated regulatory costs for new investments for each year of the Tariff Period, thus arriving at a perspective value of NIC for :

- the Operations in Progress: of remuneration, calculated by applying the remuneration rate referred to in paragraph 8.8 of ART Model 1 on the estimated value of the balance of changes in the operations in process , resulting from the algebraic sum of incremental operations and operations in termination due to the entry into service of the respective asset;
- works accomplished (that come into operation during the Tariff Period):
  - of the remuneration, calculated by applying the remuneration rate referred to in paragraph 8.8 of ART Model 1 on the value of the work;
  - of the relevant depreciation rates;
  - of the operating management costs (for example: utilities, maintenance, cleaning, etc.) directly related to them;
- extraordinary maintenance operations:
  - of remuneration, calculated by applying the remuneration rate referred to in paragraph 8.8 of ART Model 1 on the value of the capitalized intervention;
  - of the relevant depreciation rate, normally estimated on the basis of the depreciation rate applicable to the asset subject to maintenance;
- expropriations and acquisitions of areas:
  - of the remuneration, calculated by applying the remuneration rate referred to in paragraph 8.8 of ART Model 1
  - of the relevant depreciation rate, estimated in accordance with paragraph 8.6, point 2 of the ART Model 1.

### Dynamics of Net Invested Capital and related remuneration in the Tariff Period

The amount of the NIC in each year of the Tariff Period resulting from the application of the above method is shown in the following Table.

NIC Dynamics (Euro)

Cost item	Base Year	Transition Year	I YEAR	II YEAR	III YEAR	IV YEAR
NIC	74,451,106	73,608,590	82 776 674	109 882 899	123 956 699	130 452 456
<i>incentivized of which</i>						

The following Table shows the remuneration on the capital in each year of the Tariff Period, determined by applying the WACC to the NIC value.

**Table 9**  
**Dynamics of capital remuneration Euro)**

Base Year	Transition Year	Year I	Year II	Year III	Year IV
6 994 309	6 915 159	7 776 454	10 322 948	11 645 111	12 255 355

The depreciation charge for each year of the tariff period resulting from the application of the above method is shown in the following table.

**Table 10**  
**Dynamics of depreciation charge (Euro)**

Base Year	Transition Year	Year I	Year II	Year III	Year IV
4 973 603	4 954 110	4 684 771	5 080 002	5 984 277	7 850 695

**f) Outline of mechanisms and annual efficiency targets proposed for the Tariff Period**

The parameter  $\pi_e$  referred to in paragraph 8.1.4 of ART Model 1 was assumed equal to  $(0.3 \cdot P)$  for all the annuities of the Tariff Period, where  $P$  is equal to the average planned inflation rate for the years of the Tariff Period, based on the latest available Economic and Finance Document, as regulated in par. 8.4.4 of ART Model 1.

**g) Outline of the proposed sustainability thresholds of traffic risk**

As required by paragraph 8.13 point 1 of ART Model 1, in the event that the slippage of the final WLUs resulting at the end of the elapsed Tariff Period, calculated by comparing the cumulative total of the WLUs reported in the tariff Period with the cumulative total of the WLUs estimated by the traffic forecasts for the same tariff Period, turns to result:

- a) positive and above + 10%, 50% of the amount of revenue attributable to the WLUs exceeding the

10% threshold is recorded and set aside in a Fund aimed at realizing infrastructure works at zero cost for the Users, to apply to the new tariff period;

- b) negative and less than -10%, 50% of the amount of lost revenues attributable to WLUs exceeding the 10% threshold, will be recovered in tariff to apply on the new tariff Period.

The excess margin will be calculated as the difference between the revenues resulting from the tariff in force in each year, multiplied by the actual traffic recorded and the revenues arising from the tariff in force in each year, applied to the ex ante expected traffic, increased / reduced by +/- 10% (revenues threshold). With regard to the last year of the Tariff Period, traffic data recorded as of 30 September and forecast traffic data at 31 December will be considered, based on the best available estimates.

If during the Tariff Period the annual slippages of the final WLUs exceed a threshold of +/- 10%, parties shall be able to ask, based on the new traffic estimates, immediate re-modulation of tariff parameters (x, k, v) for the remaining years of the current period.

#### **h) Explanation of parameter Z, for applying *profit sharing mechanism***

The Airport Operator has not made use of the profit sharing mechanism referred to in paragraph 8.4.5 of ART Model 1.

From the tariff period following the one covered by this consultation, Gesap may provide that the operating costs relevant to the regulated activities, relating to the Base Year of the just ended Period, could be increased, for the purposes of updating the rights, within the maximum limit of 50% of any productivity surplus achieved by the Airport Operator with respect to the objectives set for the 2020-2023 Tariff Period.

This excess productivity will be determined by the difference between:

- ex-ante operational expenses foreseen in the last year of the tariff period covered by this consultation, possibly restated during the period to take into account changes in traffic occurred compared to forecasts, with the same elasticity;
- final operational expenses for the same annuity mentioned above, as resulting from analytical accounting for regulated products.

The productivity surplus as calculated above, will be accounted for - up to a maximum of 50% - separately from the costs emerging from the analytical accounting of the reference Base Year of the tariff period following the one covered by this consultation. Profit Sharing will be accepted provided that, during the tariff period covered by this consultation, the annual values of the individual quality indicators have assumed a value greater than or equal to zero. and that the achievement of quality objectives has not developed in conjunction with traffic



**i) Cost allocation methods and criteria, for each regulated product and for all the products not regulated, of the interventions included in the four-year plan**

The cost of the interventions envisaged by 2020-2023 Four-year Plan has been allocated to the various products according to specific allocation drivers (Direct, Direct pro-rata, Indirect).

Anyhow, in the allocation phase, if required, part of the cost was allocated to unregulated cost centers.

For further information and consultation of the cost allocation criteria, see the document in Annex D.

It is also specified that, pursuant to the provisions of Chapter 8.13 paragraph a. of ART Model 1, the difference between the actual WLUs (final figures at 2018 and forecasts 2019 at 31/08/2019) was calculated with the WLUs estimated by Traffic forecasts for the same period. Since the result is positive and above + 5%, established as Traffic Audition risk of 04/29/2016 for the determination of the 2016-2019 Tariff Dynamics, the excess margin was calculated to be recovered in the next four-year period 2020-2023 in zero-cost investments for users, as shown in the table below.

**Table 11**  
**Investments at no cost for Users**

Reference period	Estimated WLU	Estimated WLU + 5% Threshold	FINAL WLU	WLU DELTA
to 31/12/2016	5,052,359	5,304,977	5,313,748	8,771
to 31/12/2017	5,218,244	5,479,156	5,757,070	277,914
to 31/12/2018	5,415,654	5,686,437	6,609,001	922,564
To 31/12/2019*	5,636,802	5,918,642	7,000,000	1,081,358
	<b>REGULATED ACTIVITIES REVENUES</b>	<b>Average Fee</b>	<b>Gross overall margin</b>	<b>Net margin, 50%</b>
to 31/12/2016	45,237,168,17 €	8.51 €	74,669,98 €	37.334.99 €
to 31/12/2017	48,485,801,15 €	8.42 €	2,340,578,32 €	1,170,289,16 €
to 31/12/2018	56,173,398,45 €	8.50 €	7,841,362,41 €	3,920,681,21 €
to 31/12/2019*	61,941,095,00 €	8.85 €	9,568,641,77 €	4,784,320,89 €
	<b>Amounts of investments ,not remunerated in tariffs as they have a zero cost, of: € 9,912.626.24</b>			

\* Results relating to the results of the forecast estimate made on 31/08/2019

Any slippage, with respect to the above, will be recovered in the 2020 monitoring with the final 2019 data.

**j) Outline of any proposals for simplification and consolidation of regulated products**

Please refer to point k.

**k) Outline of any tariff basket proposals**

**Table 12**  
**Tariff basket and Sub articulations**

Tariff Basket and Sub articulations	Year 1	Year 2	Year 3	Year 4	Unit of meas.
<b>LANDING AND TAKE-OFF</b>					€/ton
<i>up to a 25 t Winter</i>	2.67	2.67	2.67	2.67	
<i>over 25 t Winter</i>	3.67	3.67	3.67	3.68	
<i>up to 25 t Summer</i>	3.31	3.31	3.31	3.31	
<i>over 25 t Summer</i>	4.55	4.55	4.55	4.55	
<b>STOPOVER</b>	0.50	0.50	0.50	0.50	€/ton h
<b>ADULT PAX BOARDING</b>					€/depax
<i>Intra EU</i>	9.50	10.59	12.71	12.70	
<i>Extra EU</i>	12.65	14.09	16.91	16.91	
<b>CHILDREN PAX BOARDING</b>					€/depax
<i>Intra EU</i>	4.75	5.29	6.35	6.35	
<i>Extra EU</i>	6.32	7.04	8.46	8.45	
<b>FREIGHT</b>	0.50	0.50	0.50	0.50	€/kg
<b>PAX SAFETY</b>	2.57	2.57	2.57	2.57	€/depax
<b>HOLD BAGGAGE SAFETY</b>	1.20	1.20	1.20	1.20	€/depax
<b>CARGO LOAD AND UNLOAD SAFETY</b>	0.54	0.50	0.46	0.43	€/kg
<b>JETTIES</b>					€/h
<i>first 45'</i>	65.24	72.54	80.81	90.44	
<i>following 15'</i>	20.38	22.66	25.25	28.26	
<i>following 30'</i>	40.77	45.32	50.49	56.51	
<i>following 45'</i>	61.16	68.00	75.75	84.78	
<i>following 60'</i>	81.54	90.66	101.00	113.03	
<i>following 75'</i>	112.13	124.66	138.88	155.43	
<i>following 90'</i>	142.69	158.65	176.74	197.80	
<b>STOCK OF GOODS</b>	1.33	1.22	1.12	1.03	€/kg
<b>PRM</b>	0.68	0.91	0.91	0.92	€/depax
<b>FUELING</b>	38.00	34.61	34.61	34.61	€/m2
<b>CHECK-IN DESKS</b>					€/desk year
<i>Annual fee per desk</i>	16.725	16.858	16.992	17.126	
<i>Annual fee per vip lounge desk</i>	24.648	24.844	25.040	25.239	
<i>Extra hours fee</i>	17.09	17.23	17.36	17.50	€/h
<b>OPERATIONAL PREMISES AND AREAS</b>					€/h
<i>Offices</i>	447.96	448.05	448.06	448.52	
<i>Operational premises</i>	357.97	358.05	358.06	358.42	
<i>Service Areas</i>	268.02	268.07	268.08	268.35	
<i>Outside areas</i>	32.20	32.21	32.21	32.24	

No proposal was made for tariff baskets, but a re-modulation of the tariffs of some regulated products was carried out in order to align the tariff levels to market benchmarks with other airport realities and in respect of a totally neutral effect on expected revenues.

In particular:

- The Freight rate was discounted compared to the initial output of the Tariff Model and assumes a value of € 0.50 / Kg. The loss of revenues due to this discount is offset by a reformulation of the Passenger Boarding tariff in such a way as to maintain unchanged the total revenues relating to the two charges , initially envisaged by the Tariff Model.
- The fee for the Stop was discounted with respect to the initial output of the Tariff Model. The loss of revenues due to this discount is offset by a reformulation of the landing and take-off tariff so as to keep the total revenues relating to the two charges unchanged, initially envisaged by the tariff model.

It should be noted that the tariff dynamics relating to check-in desks would have led to an increase from + 50% (2020 vs 2019) The Airport Operator, in favor of the user, has decided to halve the aforementioned increases provided for by the Tariff Model

#### **l) Outline of any proposals for sub-articulations of charges**

See Table at the previous point.

#### **m) Outline of the expected incremental charges in the tariff period, in application of legislative and regulatory provisions**

The table below summarizes the cost discontinuities due to incremental charges linked to the entry into force of new law and / or regulatory provisions, referred to in paragraph 8.10.2 of ART Model 1

**Table 13**

**Incremental charges expected in the Tariff Period in application of regulatory provisions (Euro)**

<b>Incremental charge</b>	<b>I Year</b>	<b>II Year</b>	<b>III Year</b>	<b>IV Year</b>	<b>Legislative reference</b>
Rectification from 2019 Monitoring	- 214,268	-	-	-	Resolution n. 92/2017 of July 6 2017 and annexes
CCNL Adjustment	755,505	761,851	768,251	774,704	Adjustment
Recovery of CCNL Adjustment 2017/2019 years	252,000	-	-	-	

Leasing for adjustment of EDS systems to standard 3                      375,000      750,000      750,000      750,000

Point 12.4.2 of EU Regulation 2015/1998 reiterated with note prot. 12921 of 6 February 2017. signed by the General Director of Enac.

Rectification from 2019 monitoring

Following the monitoring of 2019, as regulated by paragraph 8.12 of ART Model 1, an adjustment was calculated in favor of the Users and included in the incremental charges at negative value.

Additional costs for adjustment to Gesap CCNL in the Tariff Period and for recovery of this adjustment in the years 2017-2019.

Following the expiration of the Air Transport CCNL, occurred on 12/31/2016, an increase in legislation was quantified in relation to:

- a recovery of previous years (2017-2019): estimated at € 900 for each of the 280 employees, valid for the first year of the Tariff Period (2020), amounting to € 252,000;
- an adjustment of labor costs for the years of the Tariff Period (2020. 2021. 2022. 2023) quantified as an increase of 4.5% in the cost of personnel projected according to the report referred to in point 1 of paragraph 8.4.2 of the ART Model . The development of the calculation is shown in the following table.

**Table 14**  
**Dynamics of incremental charge linked to personnel**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
A) Projection of personnel costs according to model 1 ART	16,789,001	16,930,028	17,072,241	17,215,647
B) Increase in personnel costs due to national collective bargaining agreement	4.50%	4.50%	4.50%	4.50%
C) Estimated additional cost (AxB)/A	755,505	761,851	768,251	774,704

Additional cost for upgrading infrastructures to adapt EDS systems to standard 3

The additional cost reported in Table 12 is due to compliance with EU Regulation 2015/1998, chapter 9, point 12.4.2 ,which rules the compliance with Standard 3 for EDS systems detecting the presence of explosives starting from 1 September 2020. Specifically, the cost refers to the operating lease of equipments that meet the above standard.

**n) Outline of how to use any figurative items**

In order to ensure the gradual evolution of tariffs on some regulated products, some figurative items (positive or negative) were included among the eligible costs of some regulated products, in order to

anticipate or postpone the accounting of these costs with respect to the year of actual competence. The following Table summarizes the figurative items used for the individual products.

### Figurative Items summary

Service	Year 1	Year 2	Year 3	Year 4	Balanc eof four years
LANDING AND TAKE OFF	5.735.000	-2.973.000	-2.340.000	-1.520.644	-1.098.644
STOP	2.550.000	-1.400.000	-1.050.000	-570.258	-470.258
PAX BOARDING	19.800.000	-9.700.000	-3.650.000	-10.832.132	-4.382.132
FREIGHT	-169.000	88.000	71.000	42.074	32.074
PAX SAFETY	5.500.000	-2.970.000	-2.255.000	-1.301.251	-1.026.251
HOLD BAGGAGE SAFETY	4.950.000	-2.250.000	-1.730.000	-2.018.425	-1.048.425
CARGO LOAD AND UNLOAD SAFETY	0	0	0	0	0
JETTIES	0	0	0	0	0
STOCK OF GOODS	0	0	0	0	0
CHECK-IN DESKS	2.808.100	-2.021.700	-902.350	-322.569	-438.519
OPERATIONAL AREAS AND PREMISES	2.094.500	-1.508.312	-673.500	-239.640	-326.952
FUELING	1.572.090	-1.220.000	-431.500	-154.353	-233.763
PRM	0	0	0	0	0

### Additional supporting documents put available by the Airport Operator different from the ones of the Hearing of February 25th 2020

- 1. Report illustrating the forecasts regarding the evolution of traffic in the Tariff Period (Annex A)**
- 2. Four-year plan of interventions(Annex B)**

Please refer to the explanatory report Annex I.