



Contratto di Programma ENAC // SAVE

Main elements of the Tariffs' evolution SAVE 2017-2021

Introduction to the economic regulatory framework

- **Venice Airport** has been admitted by law, together with Rome and Milan airport systems, to a faster and simpler negotiation process: the “*Contratto di Programma*”.
- During the period 2011-2012 the rules were defined and shared with ENAC and the sector operators. The 2012-2021 investment plan, the 2012-2016 quality and environmental plan and the 2012-2016 traffic forecasts were submitted to the public consultations.
- In 2012 ENAC approved the agreement and sent it to the Italian Government for final approval, which took place in late December 2012.
- The new regulatory framework approved by ENAC and the Government defined a stable set of rules for the management of the airport until the end of concession, on March 2041.
- The new criteria linked tariffs to: the costs of aviation infrastructures and services, traffic forecasts and to quality, efficiency and environmental rules.
- The new economic regulatory framework includes two main documents:
 - ✓ The “*Contratto di Programma*” agreement which will cover a 10 years period;
 - ✓ The Technical Regulatory Document (“Documento tecnico di regolazione tariffaria”), which will expire at the end of concession.
- The new economic regulatory framework was the pre-requisite for the launch of a significant effort to activate the projected infrastructure investments as well as to improve the quality of services.

Dual till and regulatory period

- The tariffs agreement in place is based on a pure dual till RAB regulation, where the tariffs are correlated to aviation activities while non-aviation activities are liberalized, allowing the concessionaire to no claw-back or cap risk on its commercial activities, bearing the full enterprise risk. Bonuses and penalties had been defined when quality and environmental indicators are above/below the targets.
- The regulatory period covers 10 years and is divided into two 5 years tariff periods for the alignment of: allowed costs, executed investment plan, traffic volumes and allowed return calculation (WACC). The regulatory framework foresees annual reviews with ENAC in order to allow expenditures in relation to the analysis of progression on the investment plan.
- At the end of each tariff period (5yrs) Save and ENAC will define the necessary updates according to the principles and rules stipulated in the tariff agreement. This alignment does not include any changes on concession rights and general regulation framework which covers the period until March 2041.
- 2016 is the second tariffs sub-period's bridge year and in accordance with the normative in force the public consultation procedure was initiated and it ended on the 11th of November 2016 with the publication of the the tariffs' dynamic 2017 – 2021's definitive proposal.
- **The process to define the second 5 years tariff period 17-21 was completed on November the 11th 2016.**

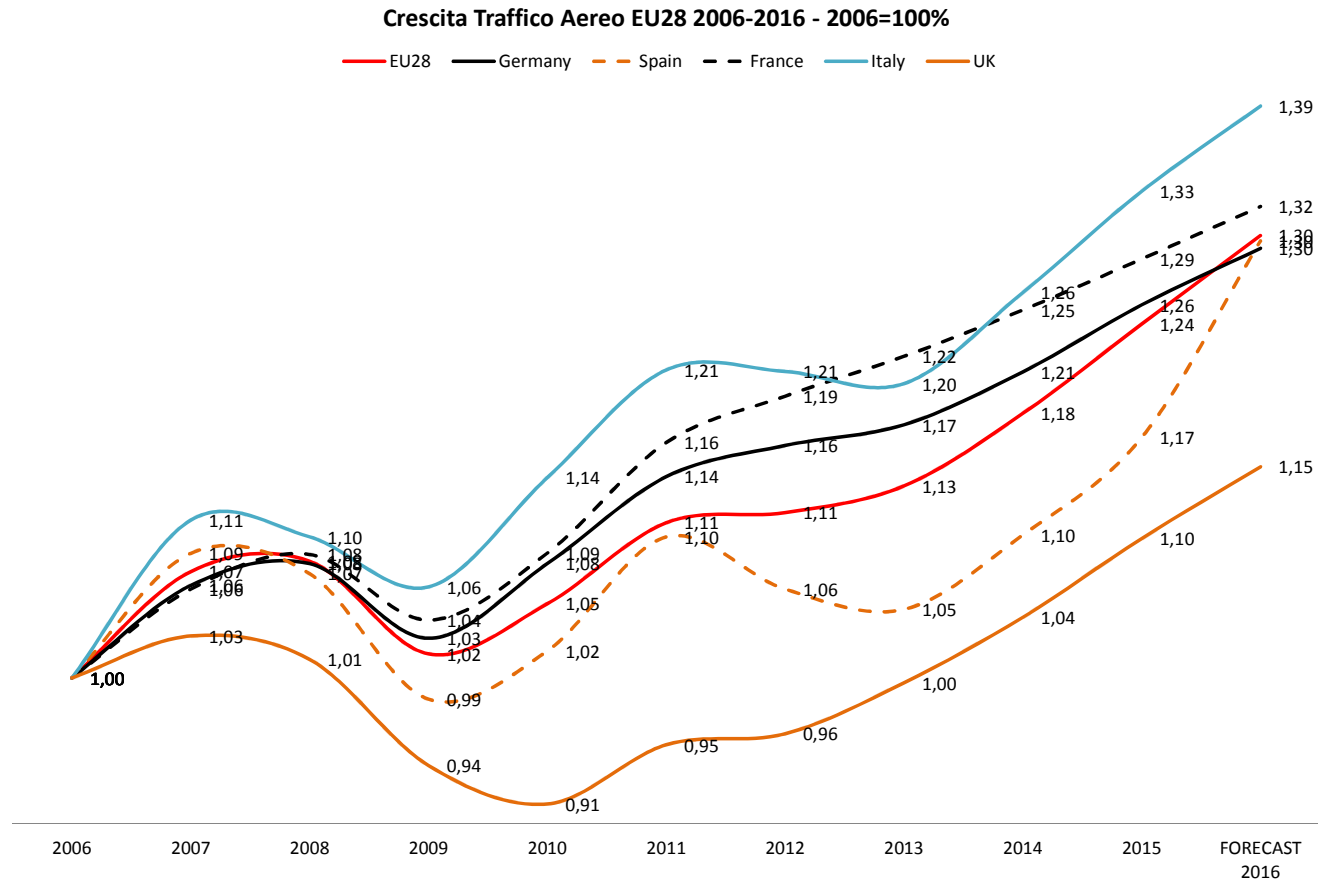
Summarized here the topics discussed at the public consultation:

- **Traffic:** main drivers for traffic development in support to the reference plan of the different units of service, shared and approved by ENAC.
- **Investments:** Investments Plan for the five years period 2017 – 2021 shared and ratified by ENAC.
- **Quality and Environment:** Quality and Environment Plan, shared and approved by ENAC, together with the targets related to the tariffs' dynamic.
- **2017 – 2021 Tariffs' Proposal:** Tariffs' Proposal for the period 2017 – 2021.

TRAFFIC

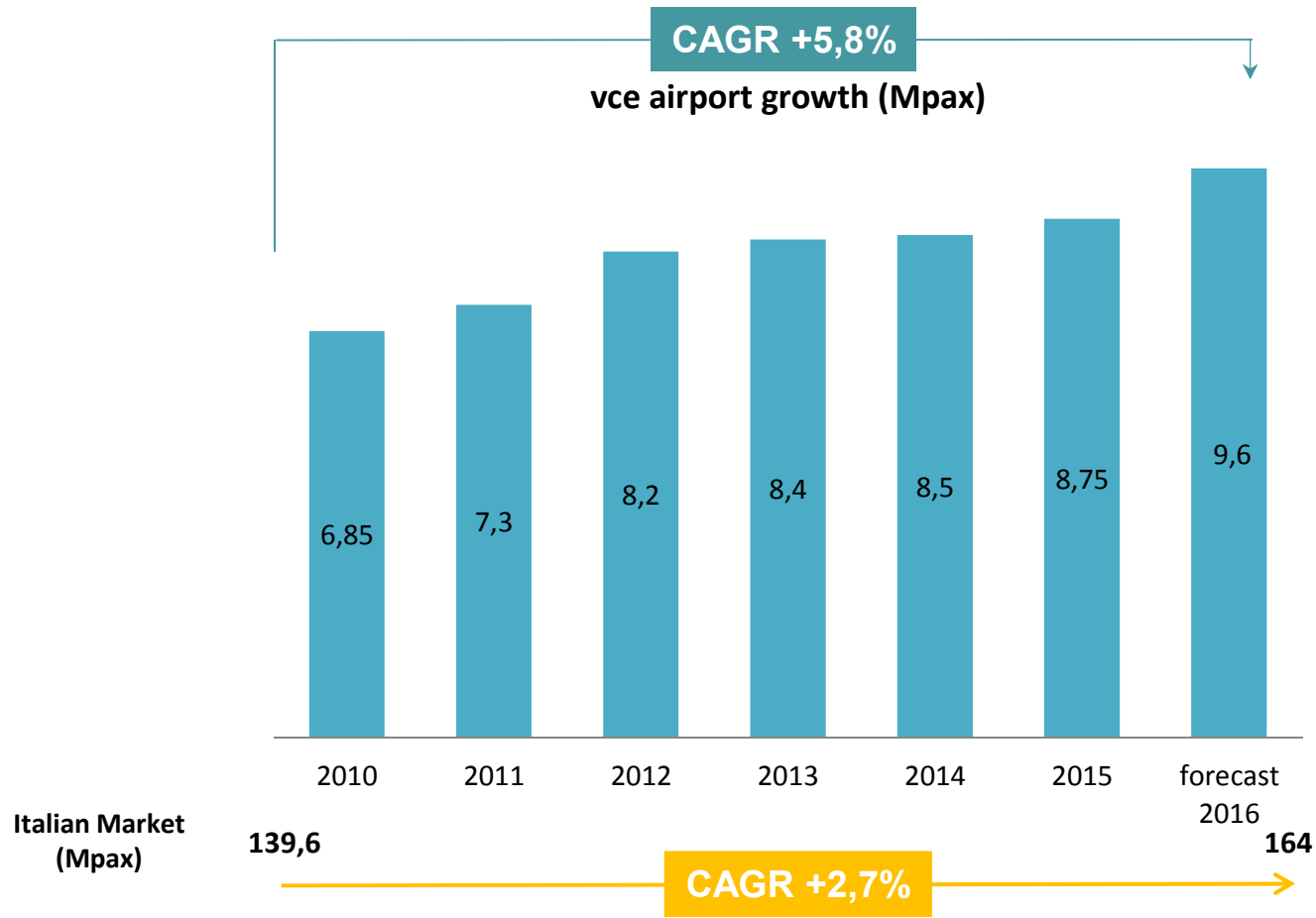
Italy vs. Main European Markets vs. EU28

In the last 10 years Italy has grown more than the Main European Markets and the avg. EU28



Traffic data 2010-2016

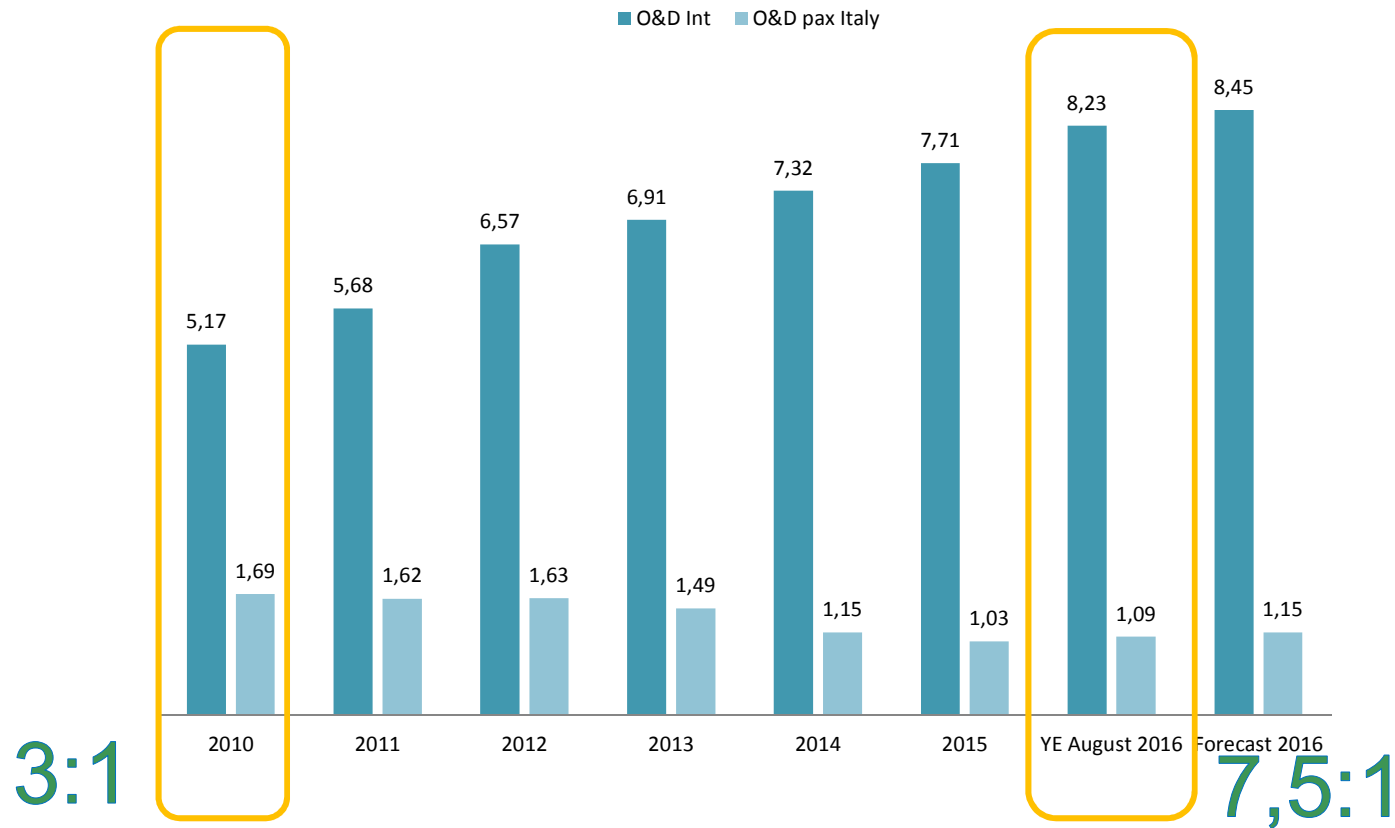
In the past six years Venice Airport has outperformed the Italian market



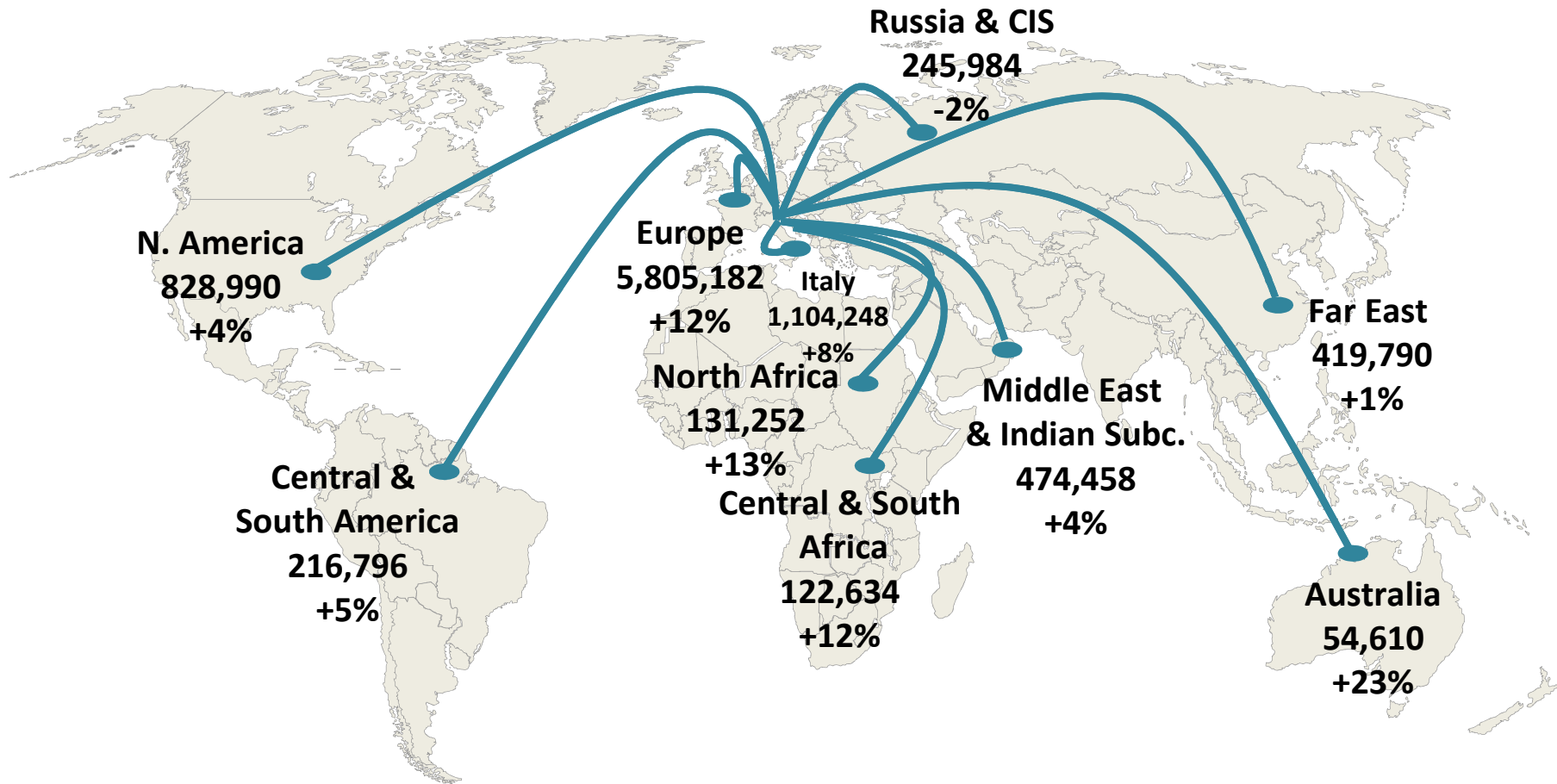
source: Save analysis on 2010-2016 actual data (without pax transferred from TSF to VCE in S11)

Comparison O&D Traffic Flows International vs Domestic: from 3:1 (2010) to 7,5:1 (YE August 2016)

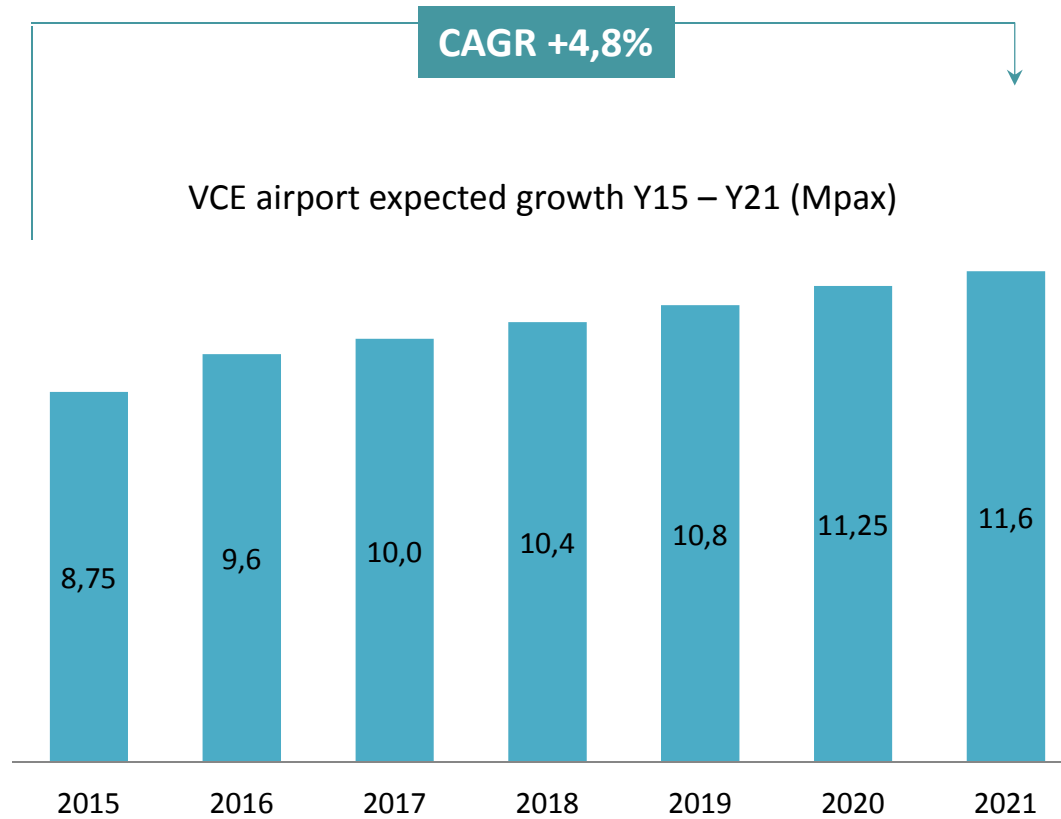
Passeggeri VCE - Flussi di Traffico O&D Domestici vs. Internazionali



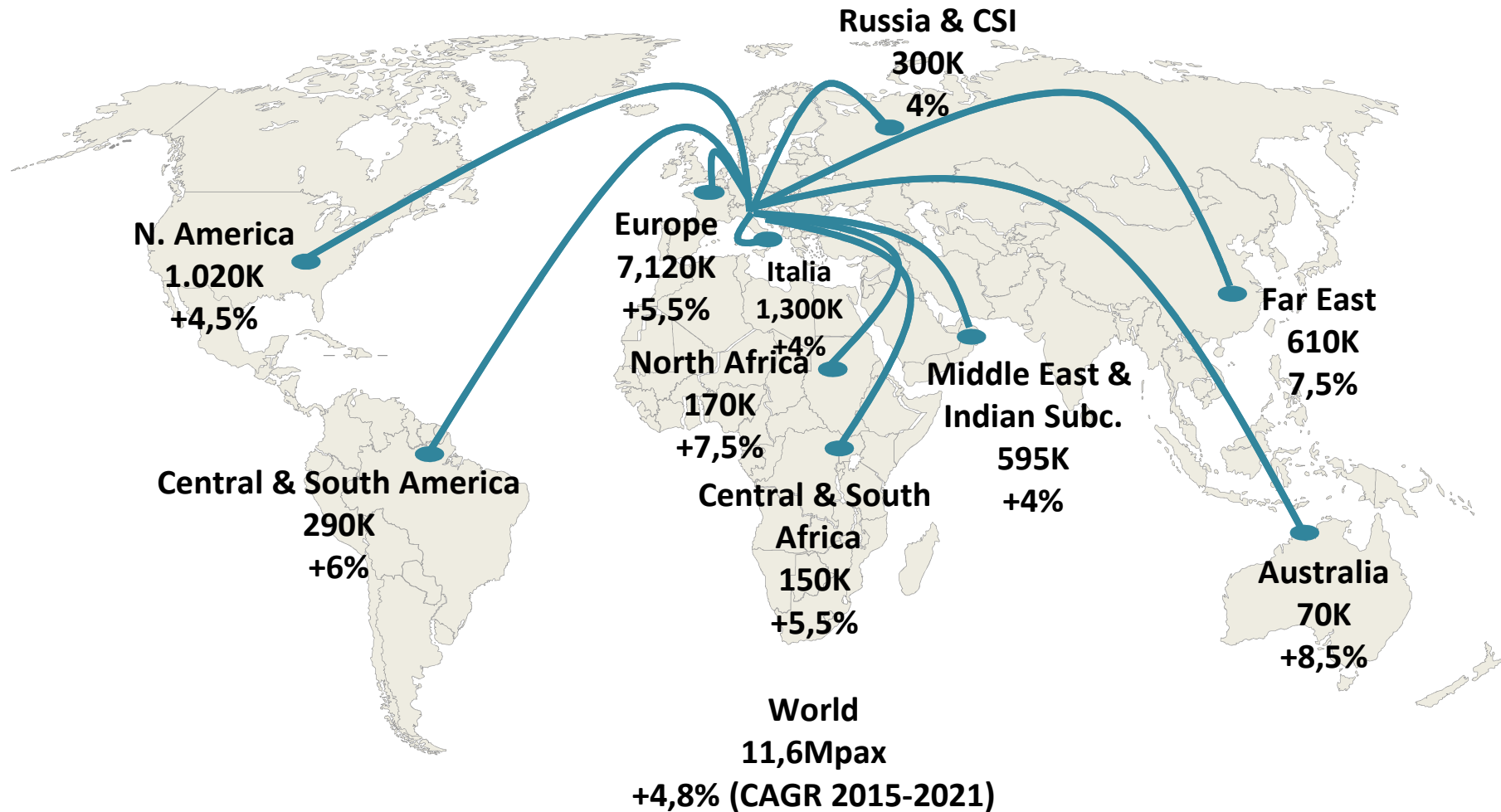
O&D traffic flows between Venice and the world – YE Sep 16



2017-2021 Traffic Forecast



O&D traffic flows between Venice and the world – 2021





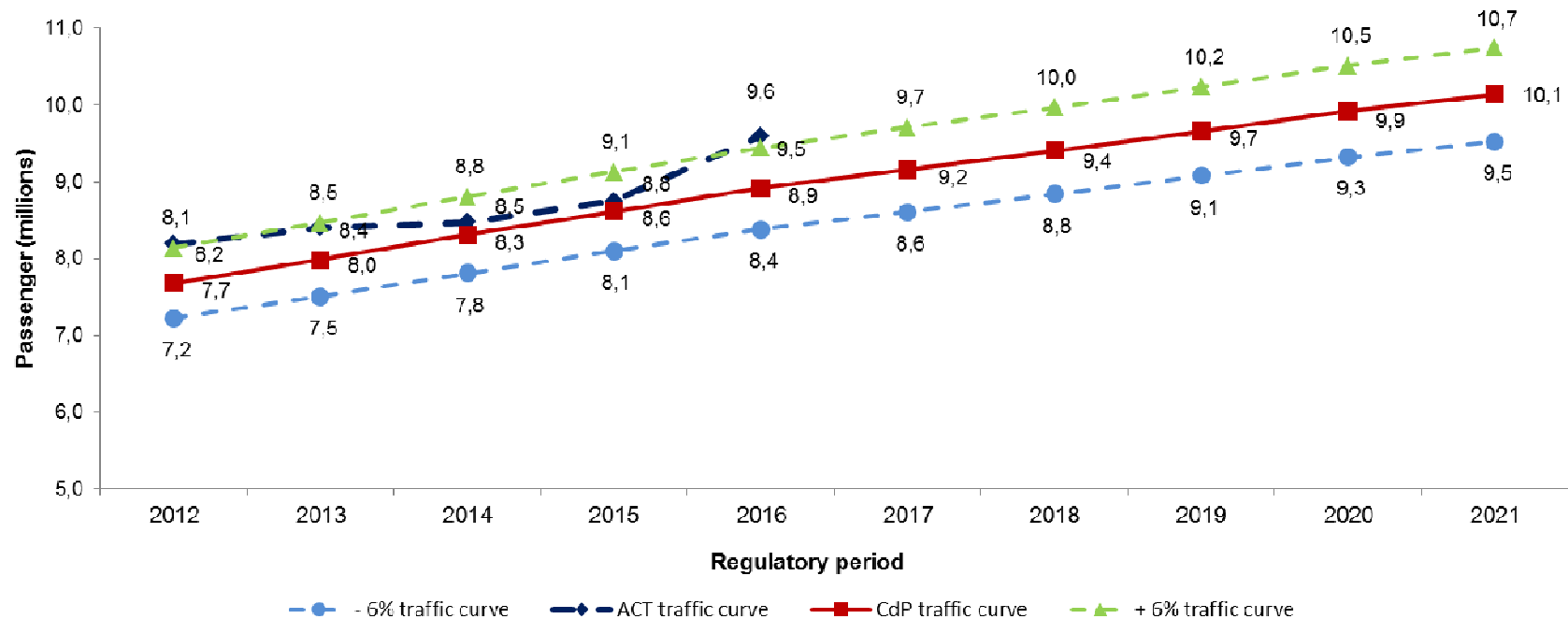
Work Loading Units

The tariffs for the new period are based on the new 2017 – 2021 traffic forecast

Year	Pax	Cargo ('00Kg)	WLU Traffic Units
CDP 2017	10.002.295	596.000	10.598.295
CDP 2018	10.402.296	654.500	11.056.796
CDP 2019	10.818.294	670.000	11.488.294
CDP 2020	11.250.928	707.000	11.957.928
CDP 2021	11.622.148	725.000	12.347.148

Traffic curve: forecast 2012 -21 and actual figures

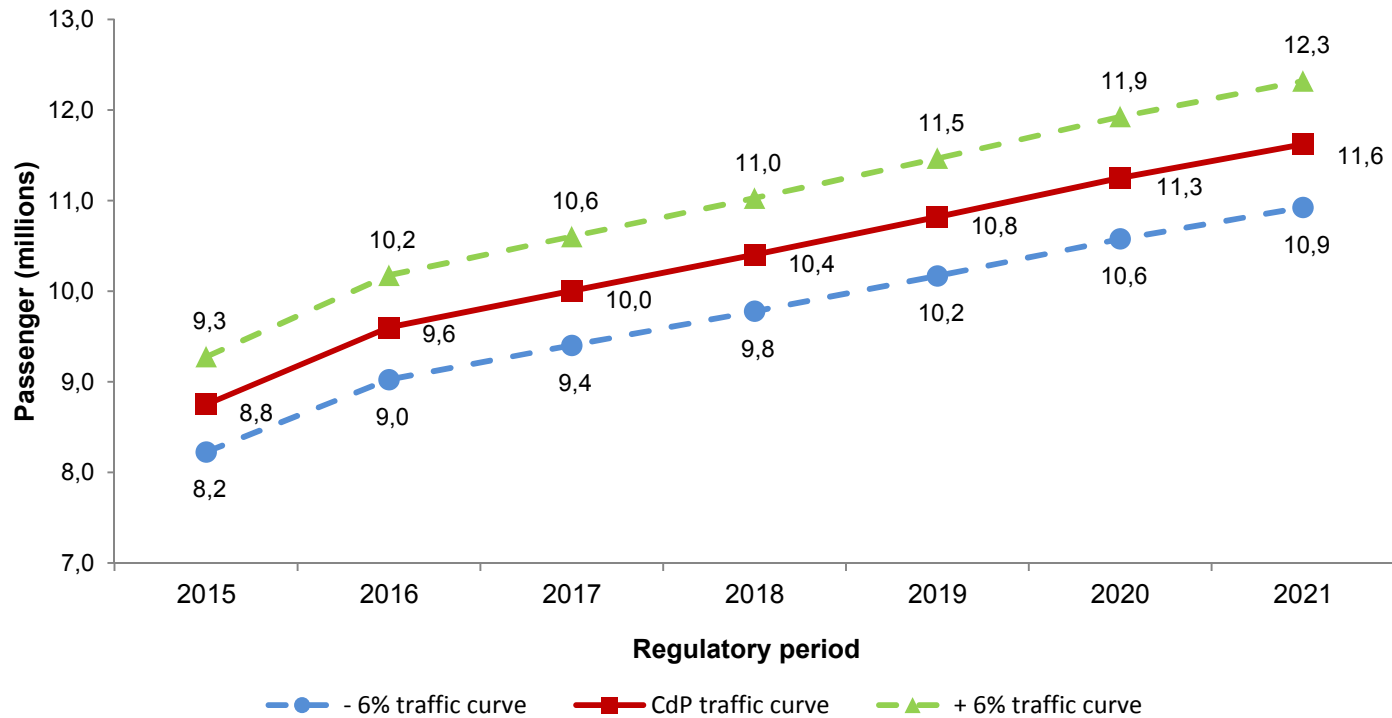
The planned traffic growth curve and yearly +/- 6% deviation.



* Traffic forecasts shared with ENAC and airport users (consultations on tariff dynamics)

Traffic curve: new forecast 2017 -21

The planned traffic growth* curve and yearly +/- 6% deviation.



* Traffic forecasts shared with ENAC and to be shared with airport users (consultations on tariff dynamics)

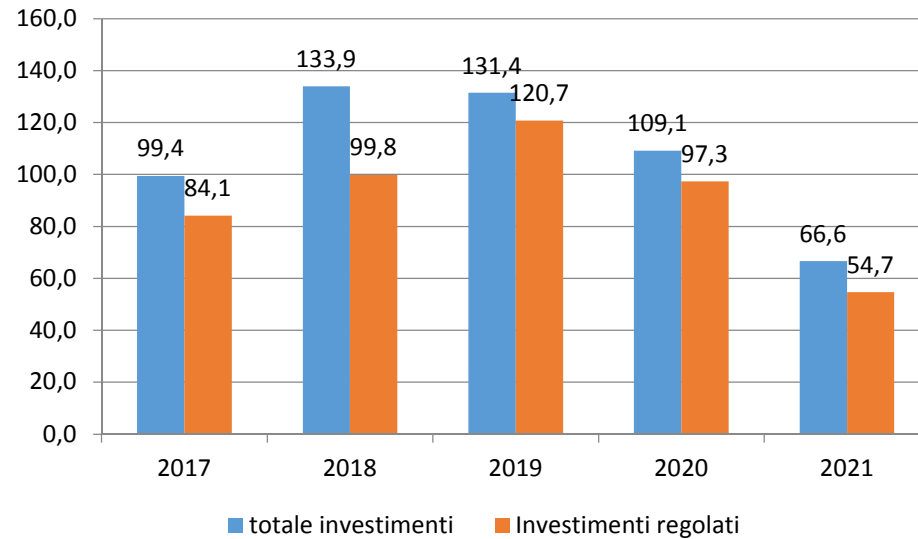
INVESTMENTS

Recap Investments Plan 2017 - 2021

valori €/milioni

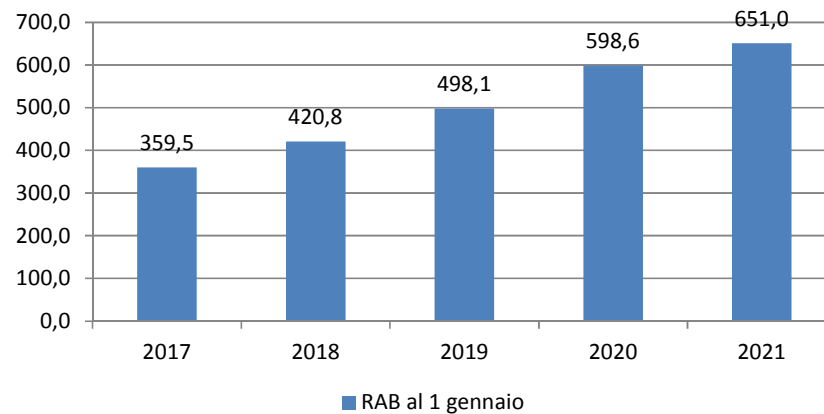
Descrizione	2017	2018	2019	2020	2021
PIANI DI SVILUPPO	0,1	0,1	0,1	0,1	0,1
TERMINAL	24,9	32,9	45,7	50,8	40,1
PIANO DI UTILIZZO DELL'AEROSTAZIONE	4,1	2,0	2,0	2,0	2,0
EDIFICI VARI	4,9	7,4	5,4	26,2	7,6
SIST.DI ACCESSO - VIABILITA' - PARCHEGGI	5,1	26,6	0,5	0,0	0,0
INFRASTRUTTURE DI VOLO	19,3	42,3	58,9	0,3	0,0
RETI E IMPIANTI	31,1	16,7	13,5	18,3	13,1
ECOLOGIA	5,5	4,8	4,2	3,3	2,6
AUTOMEZZI MOBILI E ARREDI	4,5	1,1	1,1	1,1	1,1
Totale	99,4	133,9	131,4	102,1	66,6

Investments Plan 2017 - 2021



The investments' evolution in the regulatory period includes a percentage of regulated investments equal to 84,5 % on the total of investments of 533 millions of euros.

17 – 21 RAB Evolution



Main investments expected on the airport's area in 2016

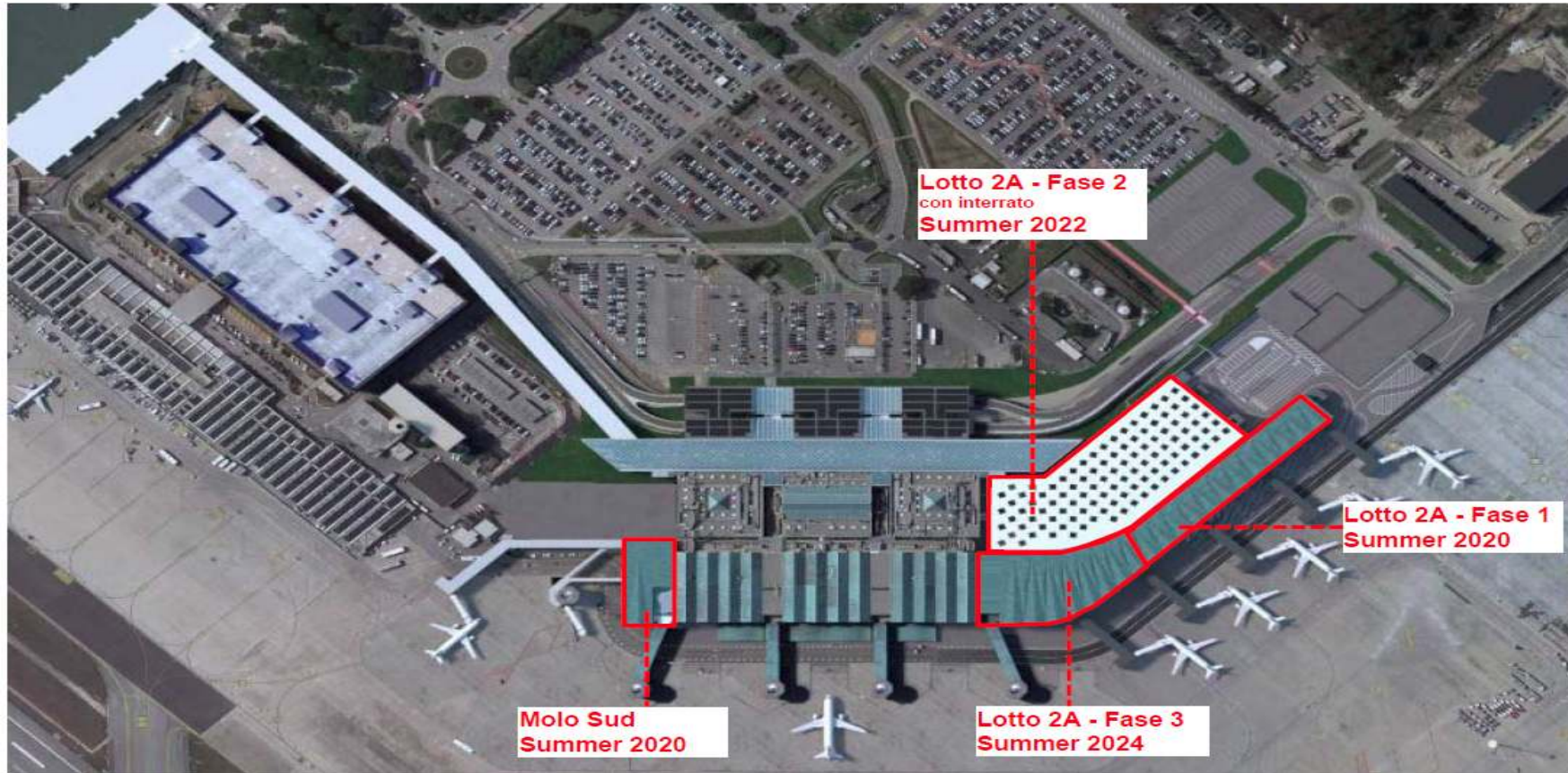


Main investments expected in the period 2017 - 2021

- a. Upgrade Airport Terminal – Lot 2: Euro 172,6 millions (*)
- b. Requalification and upgrade of flight infrastructures Lot 2: Euro 101,2 millions (*)
- c. Expansions parking infrastructures: Euro 31,2 millions (*)

() Overall amount expected in the period 2017 – 2021*

a Upgrade Airport Terminal – Lot 2A



- The project hypothesises the construction of a building for the extension of the already existing terminal, this will be realised on different levels including a basement and three floors above ground.
- The project is going to be developed in three phases, the first within 2020 and the remaining two between 2022 and 2024.

Upgrade Airport Terminal – Lot 2A

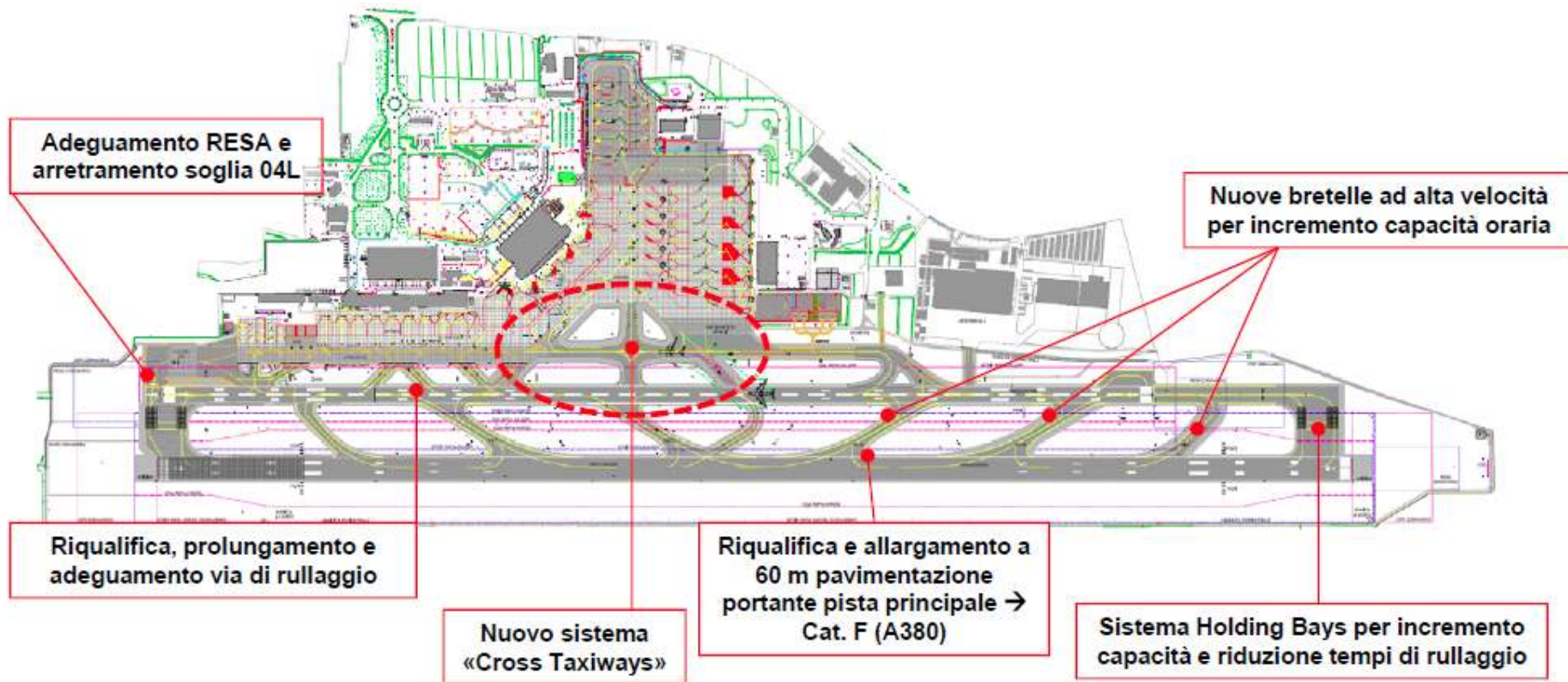


Upgrade Airport Terminal – Lot 2A



b Requalification and upgrade of flight infrastructures Lot 2

- Construction of new flooring and main runway & secondary runway's adjustment to the new EASA norm (structure, plants and hydraulics)
- Reconfiguration junctions in order to increase system's capacity → not less than 36 mov/hour (in respect to the 32 mov/h of the configuration «as is» with the aircrafts expected for 2021)
- Structure adjustment for the operability of Airbus A380 and «LONG HAUL» aircrafts.



c Expansion of parking infrastructures



The works for the expansion of parking infrastructures are:

- 1** Multi-level Car Park B1 ~ 1.500 spaces, construction between 2018-2020
- 2** Park P6 ~ 1.100 spaces, construction within 2018
- 3** Park PMW ~ 200 spaces, construction within 2018

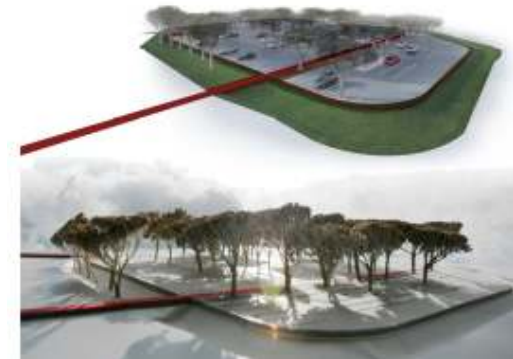
Multi-level Car Park B1



Park P6



Park PMW



QUALITY AND ENVIRONMENT

- The Company was committed, during each Regulatory Period, **to reach the services' quality standards and the objectives of environmental protection**, established in the Quality and Environment Plan. **The predetermined objectives were reached thus there were no effects on the tariffs' dynamic.**
- The quality and environmental protection objectives can be considered as met when within an **acceptability range +/- 5%** in relation to the indicators – goals established.
- When the quality and environment protection's standards are exceeded or not met in the following year there is going to be respectively an increment or a reduction in tariffs.

TARIFFS PROPOSAL 2017-2021

Calculation methodology: the components

- The calculation methodology for the determination of tariffs considers the following **variables**:
 - **Allowed regulatory costs** for the single services determined based on the outcome per product / service for the base year of the CdP and then defined for the five year period in relation to the efficiency and productivity objectives assigned to the management company: parameter «X»;
 - **Traffic volume** and relative service unit per single product;
 - **Cost discontinuities**: parameter «V»;
 - **Investments**: parameter «K»;
 - Meeting the **quality and environment** standards: parameter «ε».

1. OPERATIONAL COSTS → PARAMETR X

- Charge of costs directly **allocated to the product/service**, raised of an amount of indirect costs, defined according to the **Applicative Guidelines**.
 - Evolution of costs for the regulatory period based on the inflation rate programmed and on the **efficiency / productivity** rate assigned to the management company (coefficient «γ»).
- Base year 2015: regulatory
 - Normalisation base year
 - Programmed inflation
 - Discontinuities bridge year 2016 already occurred
 - Traffic elasticity - Efficiency Rate - Productivity

3. INVESTMENTS PLAN → PARAMETER «K»

- **Ex ante definition of** Tariffs' impact
- Periodic monitoring of pre-financial statement and financial statement
- Recognition ex post on the effective

4. COSTS' DISCONTINUITY → PARAMETER «V»

- **Ex ante definition of** Tariffs' impact
- Periodic monitoring of pre-financial statement and financial statement
- Recognition ex post on the effective

Tariffs' evolution: operational costs

Reconciliation costs "anno base"

CONTO ECONOMICO (unità di euro)	2015 REGOLATORIA	DISCONTINUITA' 2015	RETTIFICA MANUTENZIONI	ANNO 2015 "NORMALIZZATO"
Costi Ammessi				
Costo del lavoro	28.900.130	628.790		29.528.920
Materiali di consumo	1.320.553	27.364		1.347.916
Manutenzioni ordinarie	5.117.664	452.935	593.327	6.163.927
Pulizie	2.548.015	33.650		2.581.665
Utenze	5.003.744	90.250		5.093.994
Altre prestazioni di terzi	1.916.311			1.916.311
Spese generali e di struttura	7.003.962			7.003.962
Costo per godimento beni di terzi	194.014			194.014
Canone concessorio	5.197.846			5.197.846
Canone sicurezza	304.171			304.171
Vigili del fuoco	1.663.030			1.663.030
TOTALE COSTI OPERATIVI	59.169.438	1.232.989	593.327	60.995.755

Dynamic 2016 → 2017-2021

(euros thousands)

Costo operativi regolati	2015	2016	2017	2018	2019	2020	2021
Costo del lavoro	29.529	33.090	34.215	35.349	36.460	37.633	38.716
Materiali di consumo	1.348	1.392	1.433	1.474	1.514	1.556	1.596
Manutenzioni ordinarie	6.164	6.709	6.998	7.291	7.577	7.883	8.161
Pulizie	2.582	2.786	2.874	2.963	3.050	3.142	3.227
Utenze	5.094	5.312	5.493	5.675	5.853	6.042	6.215
Altre prestazioni di terzi	1.916	1.970	2.022	2.076	2.128	2.183	2.234
Spese generali e di struttura	7.004	7.346	7.578	7.812	8.042	8.284	8.508
Costo per godimento beni di terzi	194	199	204	210	215	221	226
Canone concessorio	5.198	5.687	6.050	6.421	6.785	7.183	7.560
Canone sicurezza	304	336	350	364	379	394	407
Canone vigili del fuoco	1.663	1.663	1.663	1.663	1.663	1.663	1.663
TOT.	60.996	66.490	68.880	71.298	73.666	76.183	78.513

Tariffs' evolution: operational costs applied parameters

- Programmed Inflation

INFLAZIONE PROGRAMMATA	
2016	0,20%
2017	1,50%
2018	1,50%
2019	1,50%
2020	1,50%
2021	1,50%

- Efficiency Rate 5%

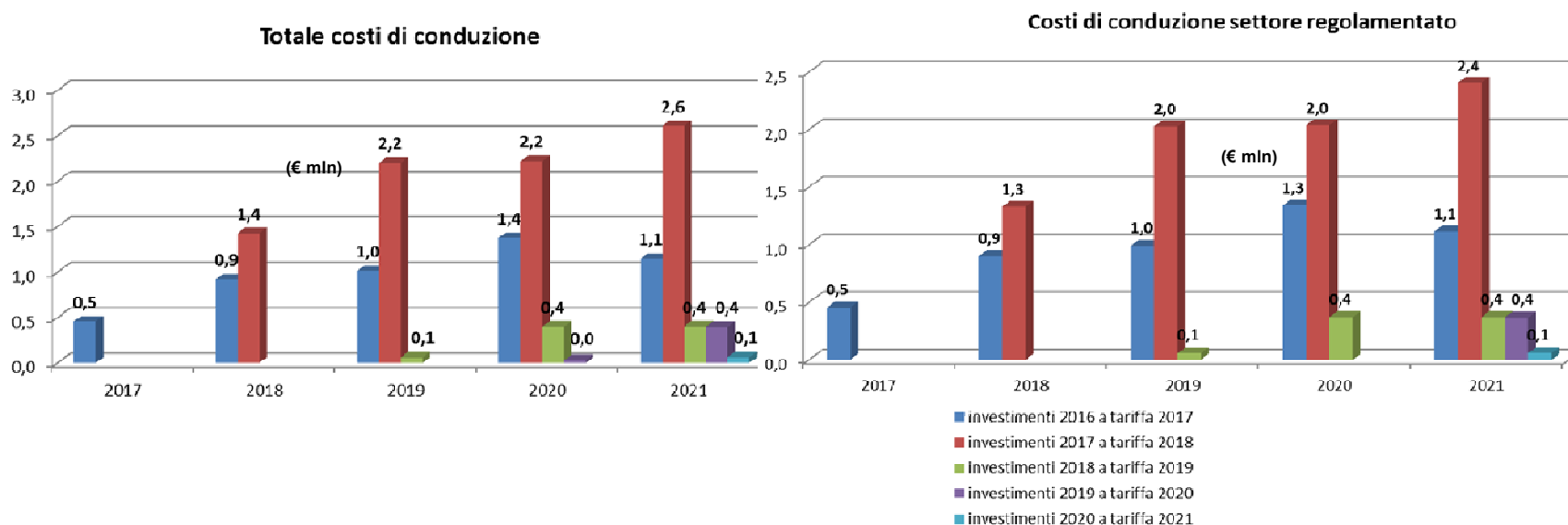
- Traffic Elasticity

(Technical Document of Tariffs' Regulation)

ELASTICITA'	
Costo del lavoro	0,40
Materiale di consumo	0,30
Manutenzioni	0,60
Pulizie	0,35
Utenze	0,40
Prestazioni di terzi	0,25
Spese generali	0,35
Godimento beni di terzi	0,25

Tariffs' evolution: operational costs parameter K

In addition to the costs included in the parameter X, previously described, within the parameter K are recognised further costs related to the entry in operation of new investments. In the period 2017 – 21 are mainly:



Tariffs' evolution: total operational costs

In summary the costs component recognised on a tariff level is composed by the following elements:

Costo operativi regolati	2017	2018	2019	2020	2021
Parametro X	68.880	71.298	73.666	76.183	78.513
Parametro K	453	2.231	3.072	3.777	4.314
Parametro V (*)	2.055	3.204	4.587	5.735	6.944
TOT.	71.388	76.733	81.325	85.695	89.771

(*) Costi legati a discontinuità di costo

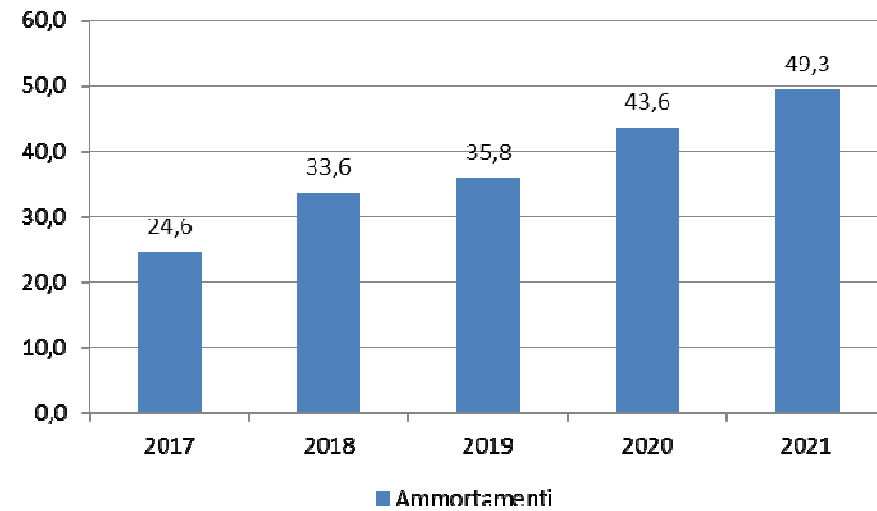
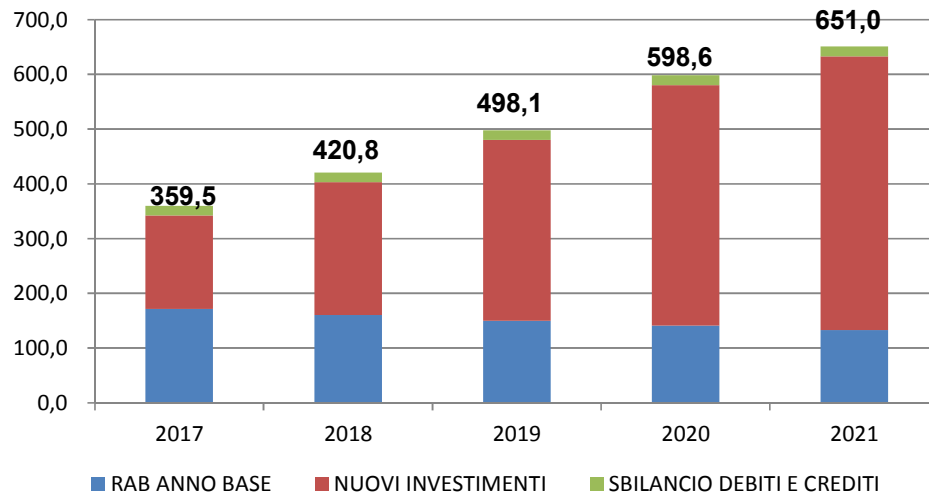
The components related to the parameters k & v are going to be examined every year in function of the effective evolution of the elements on the financial statement.

Tariffs' evolution: Capital invested's remuneration

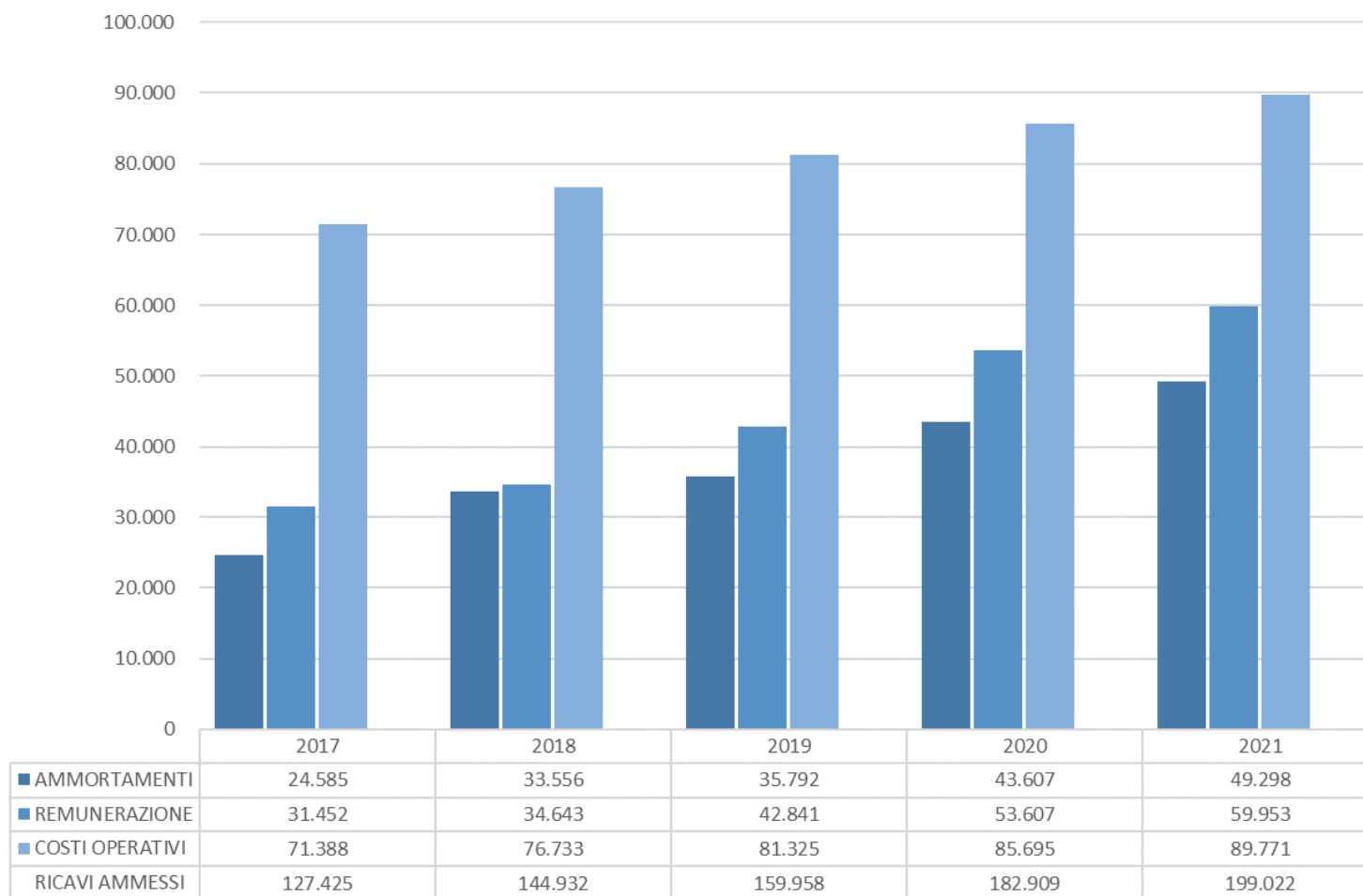
The allowed remuneration on the capital invested by SAVE is determined as following:

	SAVE	
	WaCC periodo regolatorio 2012-2016	WaCC periodo regolatorio 2017-2021
(a) Tasso di rendimento delle attività prive di rischio	5,43%	2,82%
(b) Costo del capitale di debito	0,00%	3,68%
('c) Aliquota fiscale effettiva	30,50%	32,48%
(d) IRES	27,50%	27,50%
(e) Costo del capitale di debito pre tax = $b*(1-d)/(1-c)$	0,00%	3,96%
(f) Equity risk premium	4,00%	5,00%
(g) Gearing	0,00%	34,40%
(h) Leva finanziaria (D/E)	0,00	0,52
(i) Asset beta	0,81	0,57
(i1) Beta addizionale	0,30	0,30
(l) Equity beta = $i * (1+h*(1-d)) + i1$	1,11	1,08
(m) Costo del capitale di rischio post-tax = $a+(f*I)$	9,87%	8,22%
(n) Costo del Capitale di rischio pre-tax = $m/(1-c)$	14,20%	12,18%
(o) WaCC pre-tax nominale = $e*g + n*(1-g)$	14,20%	9,35%
(p) WaCC post-tax nominale = $o*(1-c)$	9,87%	6,31%
(q) Tasso inflazione	1,50%	1,50%
('r) WaCC pre-tax reale = $(1+o)/(1+q) - 1$	12,51%	7,73%

Tariffs' evolution: Invested capital and amortisation's dynamic



Tariffs' evolution: Costs, Amortisation & Remuneration's evolution



Tariffs' evolution 2017 - 2021

	2016	2017	2018	2019	2020	2021
CORRISPETTIVO MEDIO A PAX IN PARTENZA	25,03	25,41	27,81	29,48	32,69	34,32
Corrispettivo attuale / Delta incrementale		0,38	2,77	4,44	7,65	9,29

- di cui existing opex & rab		-4,19	-4,87	-5,55	-6,06	-6,75
- di cui Investimenti cumulati dei diversi anni		3,45	6,57	8,87	12,42	14,57
- di cui altri costi incrementali		0,32	0,65	0,88	1,05	1,21
- di cui premio qualità		0,00	0,00	0,00	0,00	0,00
- E poste figurative		0,79	0,42	0,25	0,24	0,25
TOTALE		0,38	2,77	4,44	7,65	9,29

