



ANA CONCESSION AND PRIVATIZATION: A SUCCESS STORY

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ACI, SINGAPORE, March 2013

ANA Privatization: a success story

IMF says ANA privatisation "exceeded expectations"

[CAPA](#) > [Aviation News](#) >

21-Jan-2013 12:39 PM

ANA privatization the best that has been done so far by any country: Portuguese PM

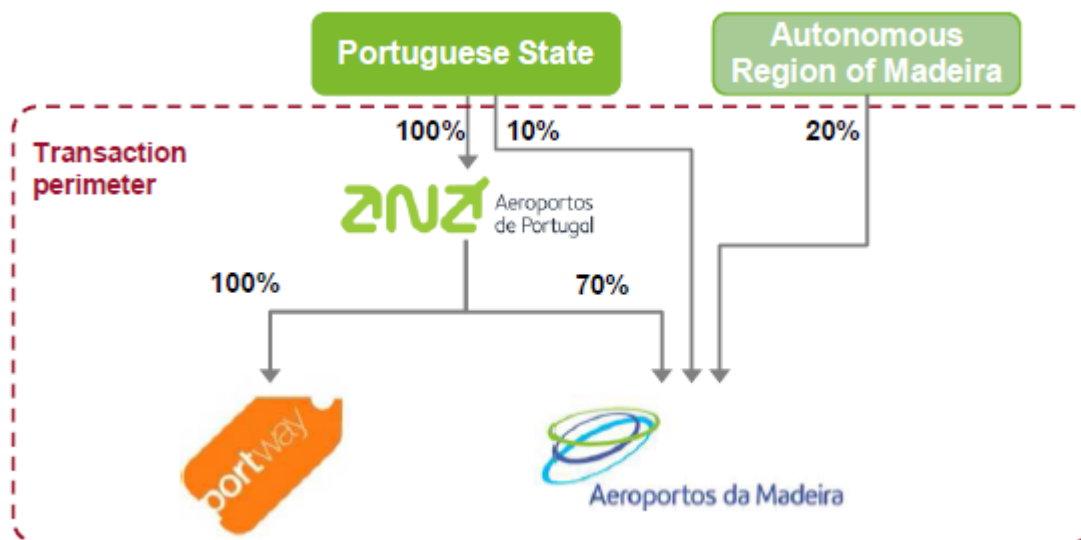
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VINCI selected to acquire ANA following EUR3.08bn bid

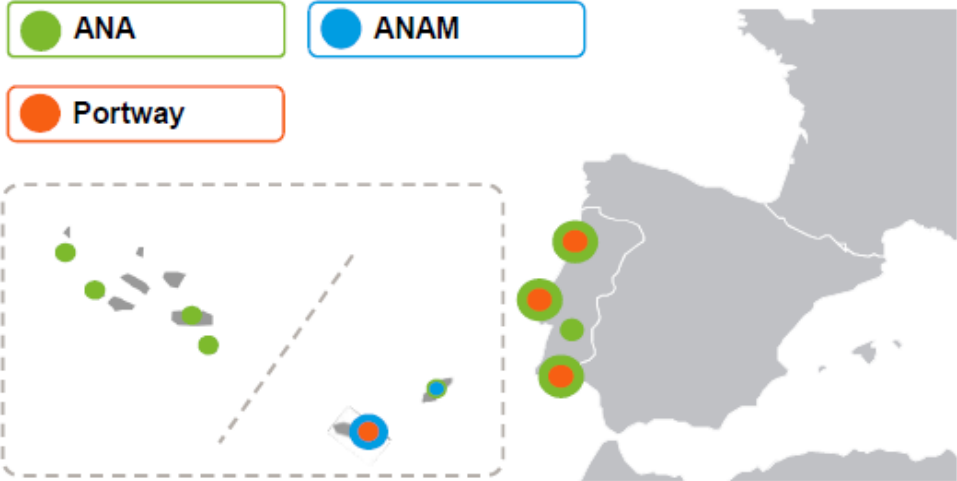
[CAPA](#) > [Aviation News](#) > 28-Dec-2012 11:45 AM

ANA PRIVATIZATION - TRANSACTION PERIMETER

Entities	 Aeroportos de Portugal   Aeroportos da Madeira		
Overview	<ul style="list-style-type: none"> ■ Airports in Continental Portugal (Lisbon, Porto and Faro), Airports in Azores (Santa Maria, Ponta Delgada, Horta and Flores) Civil Terminal of Beja 	<ul style="list-style-type: none"> ■ Ground handling (Lisbon, Porto, Faro and Funchal) 	<ul style="list-style-type: none"> ■ Airports in Madeira Archipelago (Madeira and Porto Santo)
2011 key financials	<ul style="list-style-type: none"> ■ Revenues: €352m ■ EBITDA: €186m 	<ul style="list-style-type: none"> ■ Revenues: €58m ■ EBITDA: €5m 	<ul style="list-style-type: none"> ■ Revenues: €38m ■ EBITDA: €10m



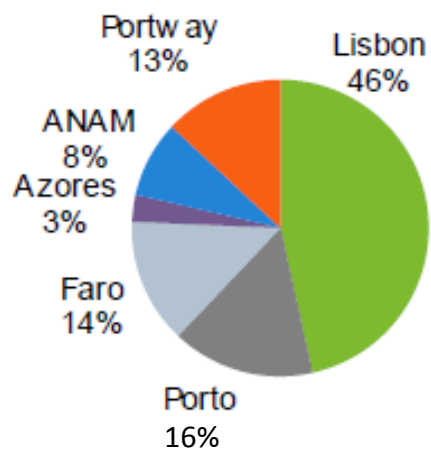
ANA PRIVATIZATION - TRANSACTION PERIMETER – GEOGRAPHIC FOOTPRINT



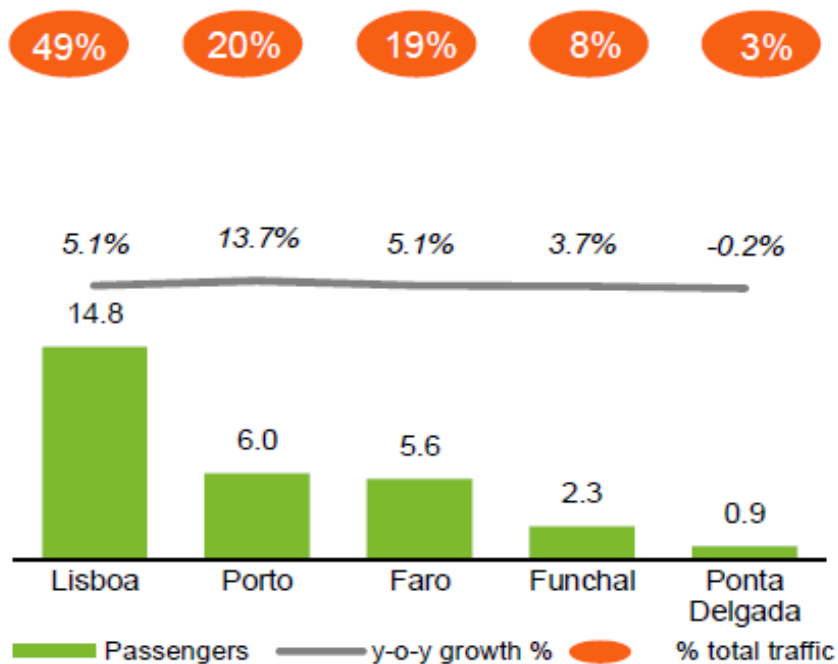
ANA PRIVATIZATION - TRANSACTION PERIMETER – MAIN CHARACTERISTICS

Top Portuguese Airports (2011)

Revenue breakdown by asset

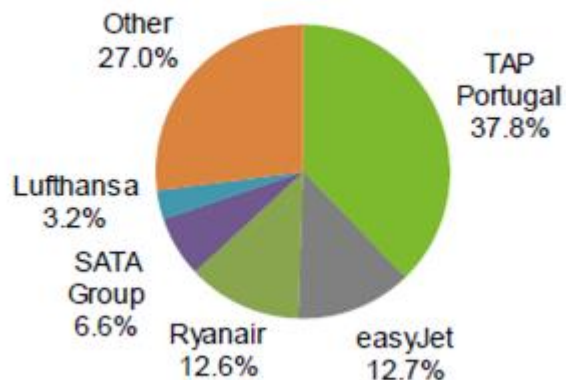


Passengers : 30.1 million

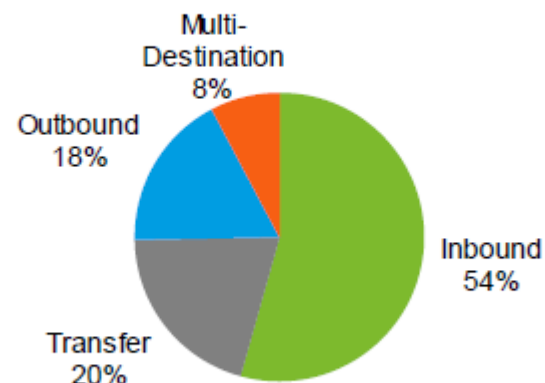


ANA PRIVATIZATION - TRANSACTION PERIMETER – MAIN CHARACTERISTICS

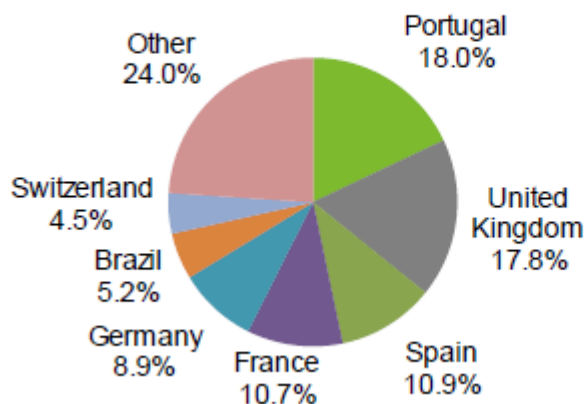
Market share by airline



Passenger Mix (2010)



Passenger Traffic by Market (2011)



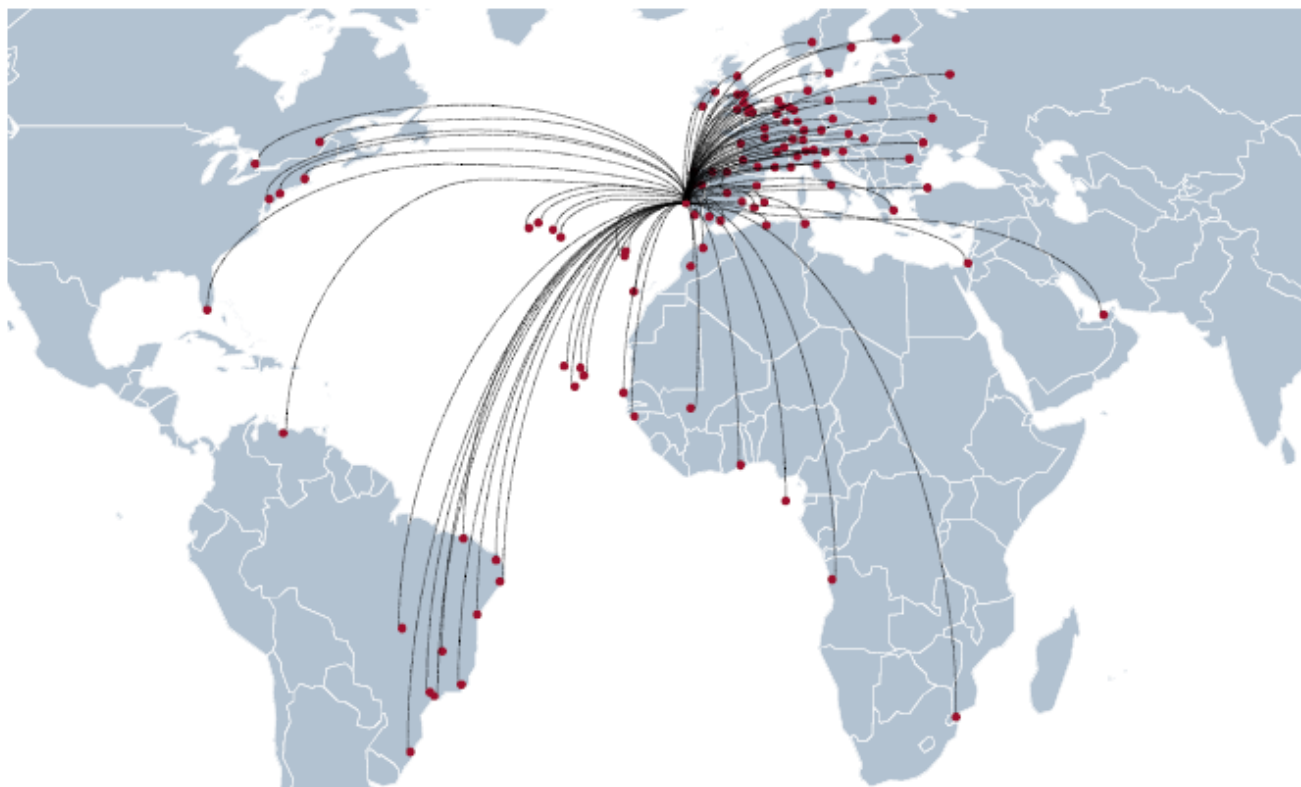
Top 10 routes

		'000 Passengers			
		2010	2011	% change	% of total
#	Route				
1	Lisbon - Madrid, Barajas	1,172	1,179	0.5%	3.9%
2	Lisbon - Madeira	866	812	(6.3%)	2.9%
3	Lisbon - London, Heathrow	730	756	3.5%	2.4%
4	Faro - London, Gatwick	666	684	2.8%	2.2%
5	Lisbon - Paris, Orly	605	649	7.3%	2.0%
6	Lisbon - Barcelona	508	628	23.6%	1.7%
7	Lisbon - Frankfurt	509	551	8.3%	1.7%
8	Porto - Paris, Orly	519	550	6.0%	1.7%
9	Lisbon - Paris, C.D. Gaulle	530	547	3.2%	1.8%
10	Lisbon - Amsterdam, Schiphol	437	480	9.8%	1.5%

ANA PRIVATIZATION - TRANSACTION PERIMETER – MAIN CHARACTERISTICS

Lisbon Airport route network

- Traffic between Portugal and Europe represents 64,5%
- Domestic traffic represents 13,5%
- Brazil accounts for 9.9%
- Traffic between Africa's portuguese speaking countries was responsible for 6,5% (2,7% Cape vert and 2,4% Angola)
- Other African destinations and North America 5.5%



THE PRIVATIZATION PROCESS AS A SOURCE OF VALUE CREATION

DEFINING A
CLEAR SET OF
SHORT AND
LONG TERM
OBJECTIVES

PRODUCING A
CLEAR LEGAL
FRAMEWORK
FOR THE
SECTOR

ESTABLISHING A
VALUE
CREATING
CONCESSION
AGREEMENT

Defining a clear set of short and long term objectives

Primary Objectives

- **Maximize sale proceeds** (securing the broader privatization objectives of the country)
- **Minimize the Government's exposure to residual risks** and liabilities from privatization process by insuring that the transaction framework fully protects the national interest
- **Improve a competitive position, growth prospects and efficiency of ANA** for the benefit of the Portuguese air transport industry, national economy and the travelling public

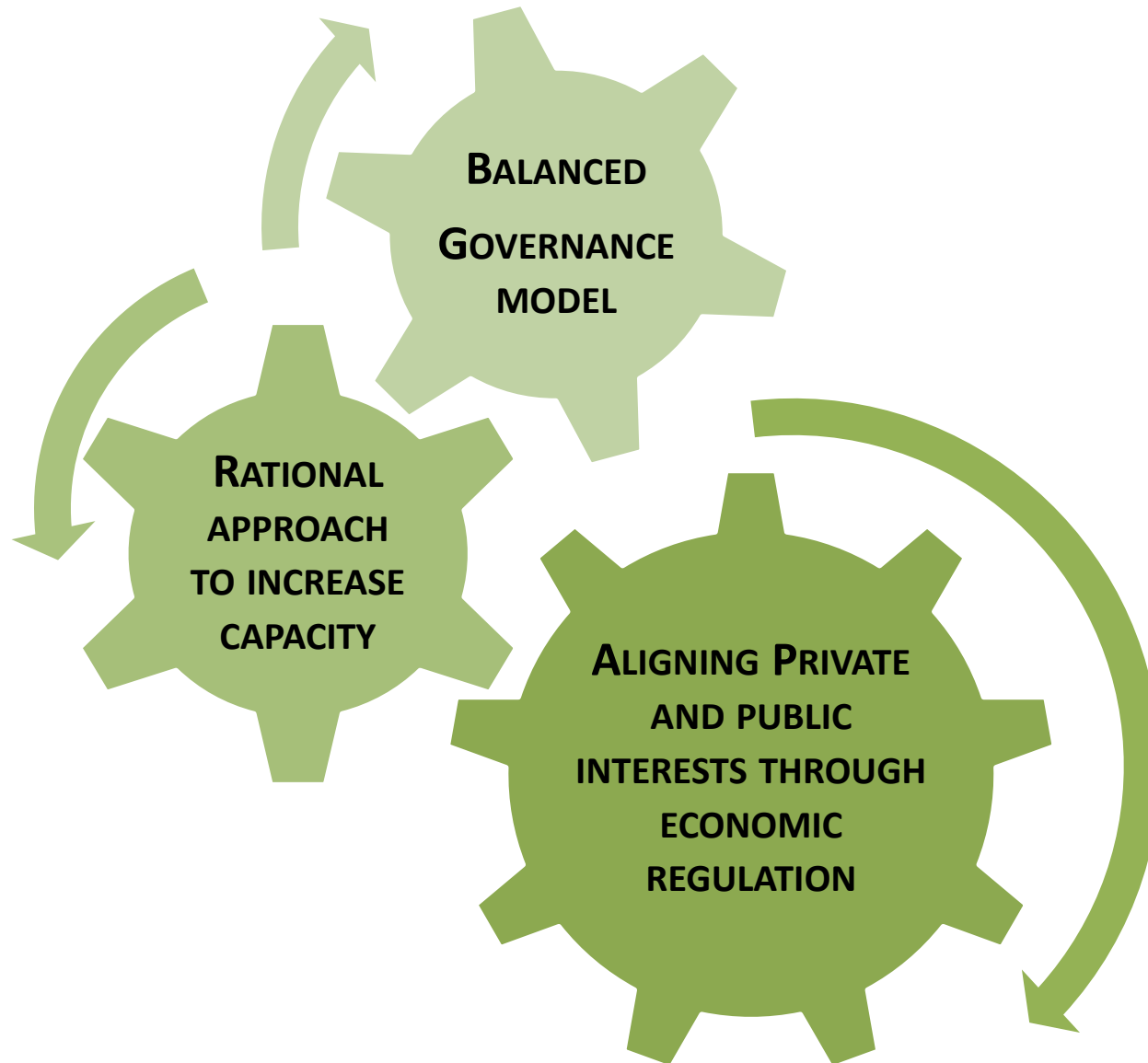
PRODUCING A CLEAR LEGAL FRAMEWORK FOR THE SECTOR

Decree - Law nº 254/2012, of 28th November

Regulates, in a single decree-law:

- The legal basis of **ANA's Concession Contract for public service of airport operations;**
- The **licensing regime for the private use of airport public domain;**
- The set of **airport charges applicable in national airports;**
- The legal regimes for **PRM and Security airport charges;**
- **General rules and principles of the economic regulation applicable to Portuguese airports**

ESTABLISHING A VALUE CREATING CONCESSION AGREEMENT



A BALANCED GOVERNANCE MODEL



**The Strategic Plan
and conflict
resolution**



**Framework
Agreement**



**The indemnification
rules
and the opting out**

A RATIONAL APPROACH TO INCREASING CAPACITY



**Specific investment commitments
and windows of execution**

Monitoring levels of service

**Setting triggers to adequate offer
and demand**

**The specific case of an entire new
airport**

ALIGNING PUBLIC AND PRIVATE INTERESTS THROUGH ECONOMIC REGULATION

Dual till vs. Single till

**The role of caps and
benchmark**

The consultation process

**The virtuous circle of
passengers growth**

REVISION OF THE REGULATORY MODEL – MAIN OBJECTIVES

Establish a **new framework of light handed, incentive based economic regulation** to increase the efficiency of ANA's operations

To provide all airport stakeholders with **future certainty** regarding the range of outcomes and amendments that could come out from each periodic regulatory review.

Foster the **development of non-aviation businesses as a way of creating value**

Encourage a strategy for the **traffic volume development as an engine of revenue growth**

Ensure **Portuguese airports remain competitively priced vs. similar airports** within the EU

Promote Airport – Airline replacement agreements and ensure **transparent reporting, effective monitoring, and efficient dispute resolution**

Contain **significant controls on service quality outputs**

THE LEGAL BASIS OF THE ECONOMIC REGULATORY MODEL

Decree - Law nº 254/2012, of 28th November

- **Regulatory basis for the National Airport Sector**
- **Transposes the European Airport Charges Directive**

Annex 12 to the Concession Contract

- **Classification of Activities: Regulated, Monitored and Non Regulated;**
- **Definitions of Price Cap and Regulated Revenue Cap per terminal passenger;**
- **Evolution and adjustment mechanisms to the Price Cap.**

Annex 7 to the Concession Contract

- **Definition of the airport quality of service regime applicable to Lisbon, Porto, Faro and Ponta Delgada;**

REVENUE FROM REGULATED CHARGES REPRESENTS 65% OF TOTAL TURNOVER

Decree-Law nº 254/ 2012

Traffic Associated Activities

- Landing/Take Off Charge
- Parking Charge (including the use of Air Bridges and GPS)
- Hangar Charge
- Passenger Service Charge
- Opening Airport Charge

Annex 12 of the Concession Contract

Passenger handling Charge

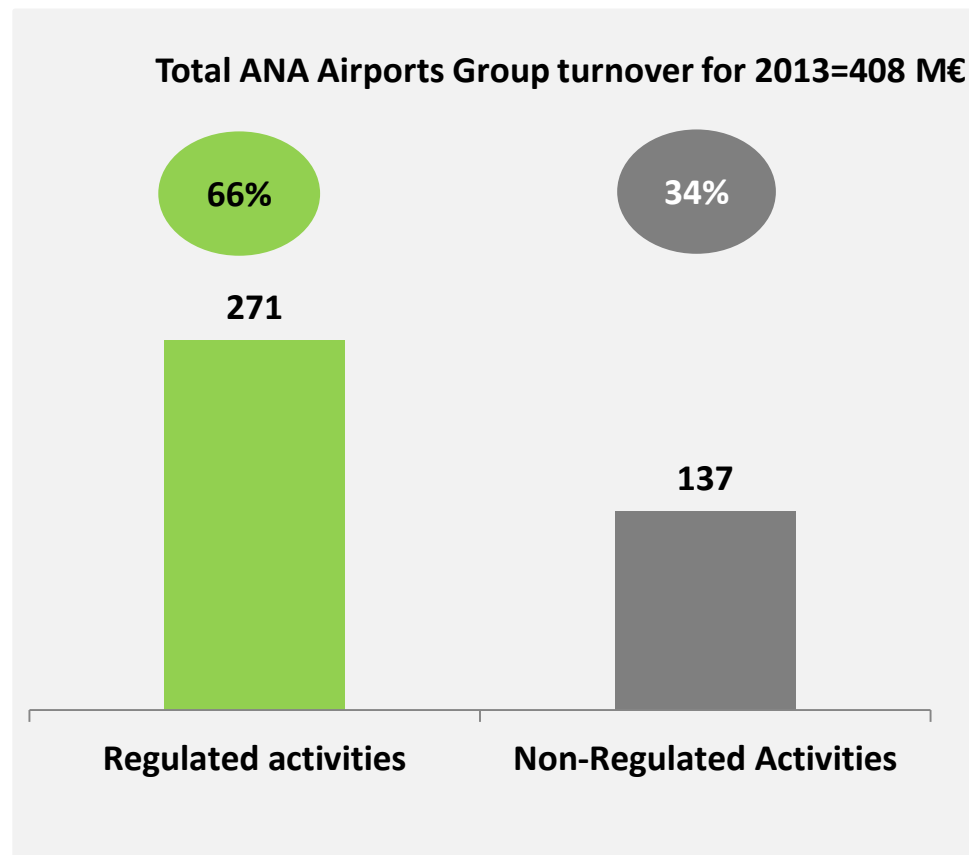
CUPPS (Common Use Passenger Processing System) and **CUSS** (Common use Self-service) charges

Baggage Handling Charge

BRS (Baggage Reconciliation System) Charge

Security Charge

PRM (Persons with Reduced Mobility) Charge

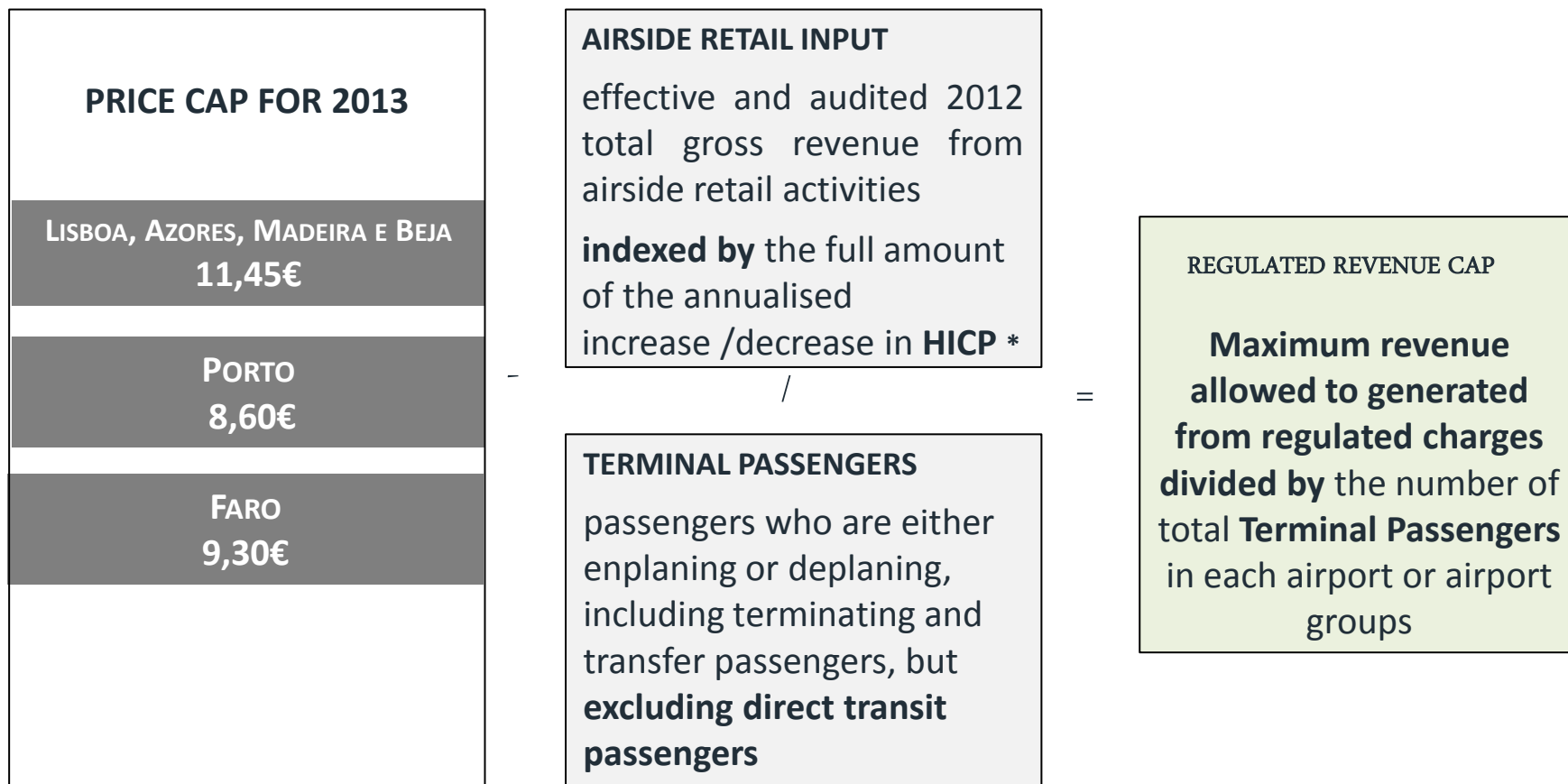


MAIN CHARACTERISTICS OF ANA REGULATORY MODEL: SIMPLICITY, PREDICTABILITY

Light handed, incentive based economic regulation (summary)

- **3 separate caps across network**
- Only includes **100% of the 2012 total airside retail revenue into the cap** (indexed to full inflation), **all future developments are out of the cap**
- **Initial regulatory period :10 years**
- **Simpler price cap evolution HICP-X% : efficiency gains above the X factor will create value to the concessionaire**
- Benchmark test: **Lisbon Airport remains competitively priced vs similar airports within the EU**
- **Traffic risk on the hands of concessionaire.**
- **3x incentive** to increase revenues through a **traffic growth strategy**,
- **Commercial freedom** :Regulated charges structure and individual amounts levied at each airport are set at the discretion of the Concessionaire
- **Ability to establish replacement agreement with airline customers**
- **Service quality incentives**
- **Transparency:** Consultations (3) with users and information to users

3 PRICE CAPS– ONLY INCLUDE 100% 2012 AIRSIDE RETAIL REVENUES



***HICP** all items index for the **EU27 Countries** , compiled monthly by Eurostat, as the reported 12-months average (percentage change) as at 31 August of each year

10 YEARS FOR THE 1ST REGULATORY PERIOD – HICP-X% PRICE CAP EVOLUTION

Efficiency gains above the X factor will create value to the concessionaire

PRICE CAP EVOLUTION : $PC_{(I-1)} * 1 + (HICP * - X) = \text{INDEXED PREVIOUS YEAR } PC_{(I-1)}$

X FACTORS	2014-2017	2018-2022
GRUPO DE LISBOA	0,0%	0,5%
PORTO E FARO	1,0%	0,5%

5 Adjustment mechanisms to applied to price cap

(1) for any Economic and **Financial Rebalance of the concession agreement**

(2) as a result of Binding Agreement to **Develop New Lisbon Airport**

(3) For **benchmarking test**

(4) For any **Traffic Risk Sharing** (large band)

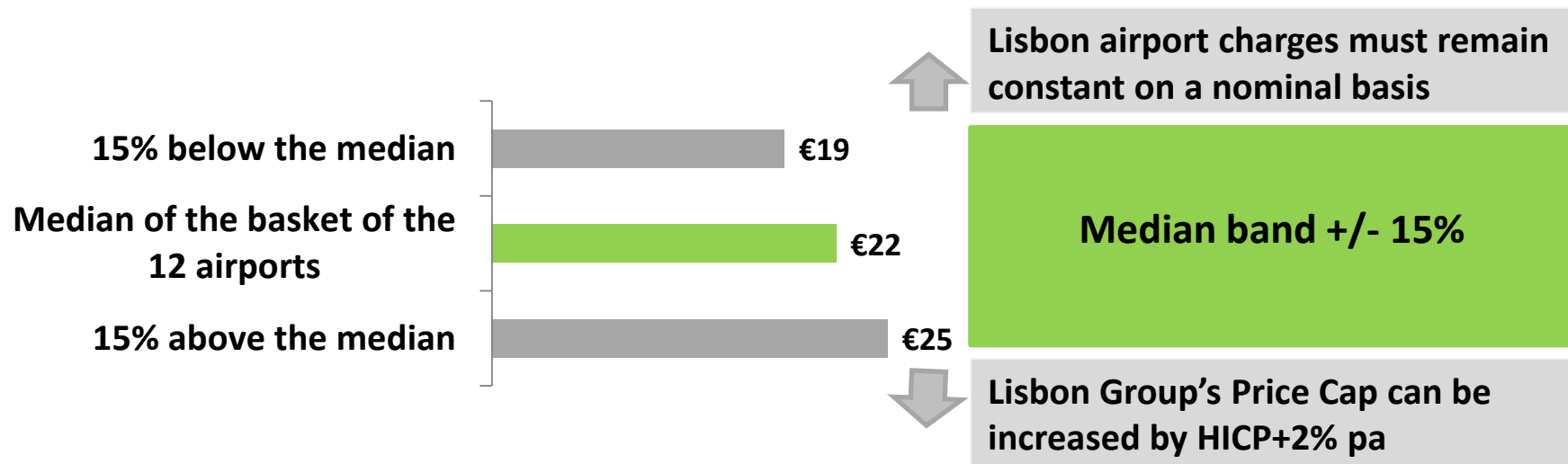
Lisbon Group

(5) for any **under recoveries** resulting from γ_{-2} **due to miscalculations**

Adjusted Price Cap Year γ

LISBON AIRPORT REMAINS COMPETITIVELY PRICED VS SIMILAR EU AIRPORTS

BENCHMARK TEST



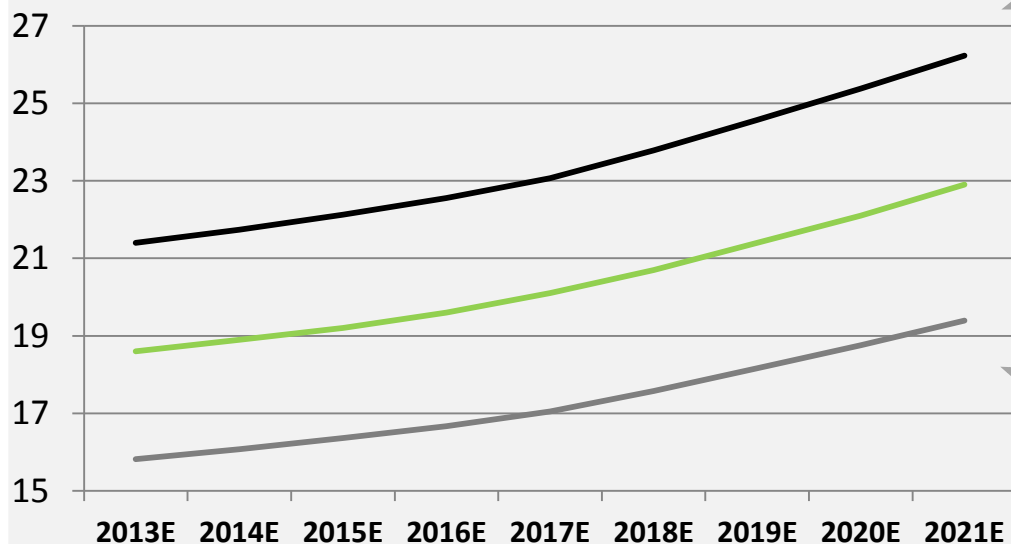
Airport basket	Vienna; Madrid Barajas; Barcelona El Prat; Geneva; Berlin Brandenburg; Copenhagen; London Gatwick; Brussels National ; Dublin; Rome (AdR Network); Dusseldorf (DUS); Stockholm Arlanda
Charges	Landing ; Passenger, Security, PMR, parking (1 hour - airbridge)

TRAFFIC RISK ON THE HANDS OF THE CONCESSIONAIRE

LISBON GROUP

Traffic Risk sharing mechanism

Lisbon Group Traffic Band (mppa)



- Maximum (mppa)
- Base Terminal Passengers (mppa)
- Minimum (mppa)

Lisbon Group Price Cap will remain constant in nominal terms until the traffic per year is back within the band

Traffic Band +/- 15%

Lisbon Group's Price Cap can be increased by HICP+2% pa

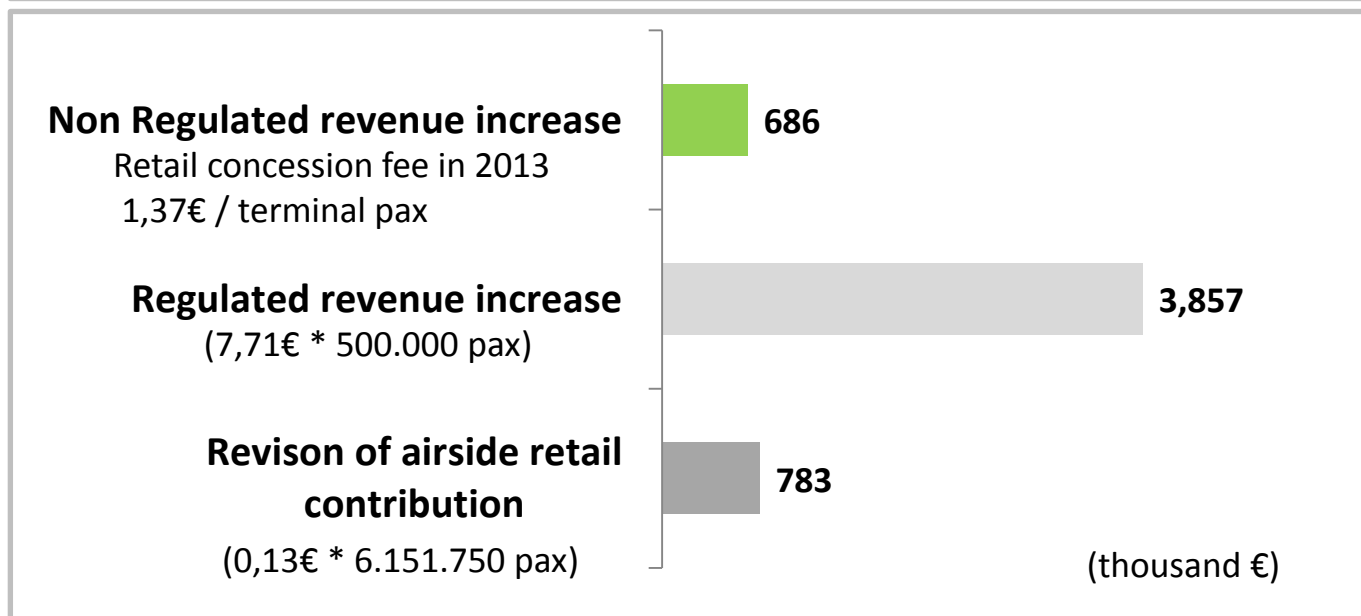
3X INCENTIVE TO INCREASE REVENUES THROUGH A TRAFFIC GROWTH STRATEGY

Example: + 500 thousand passengers than expected , at Faro airport , in 2013 (+9%)

Revision of airside retail contribution :	Allowed	Real allowed
Airside retail contribution (2013)	8.967.500€	8.967.500€
Terminal passengers 2013	5.651.750	6.151.750
Airside retail contribution/pax	1,59	1,46
Regulated Revenue Cap (2013)	7,71	7,84

+0,13€ /pax

Total Revenue Increase in 2013 : + 4,5 M€ euros (9,08€/terminal pax)
Total Revenue Increase : + 5,3 M€



COMMERCIAL FREEDOM

Regulated charges structure and individual amounts levied at each airport are set at the discretion of the Concessionaire

Flexibility to adjust regulated charges structure according to commercial strategy

Airports	Restrictions
Azores e Beja	Until 2017 all Regulated Revenue per Terminal Passenger at Azores airports and Beja Civil Terminal shall remain constant in nominal terms (at 2012 levels)
Madeira	Regulated revenue per passenger shall be annual reduced to equal Regulated revenue of Lisbon airport by 2022
Lisbon	Regulated revenue ensure the compliance with the total Lisbon Group Regulated revenue

Ability to establish replacement agreement with airline customers

CONTAIN SIGNIFICANT CONTROLS ON SERVICE QUALITY OUTPUTS

Airport quality of service regime (AQSR)

- applicable to Lisbon, Porto, Faro and Ponta Delgada;
- **Two types of indicators – quarterly valuation**

Equipment and Infrastructure Availability	Passenger satisfaction Pax service quality survey (ACI)
80%	20%

- The specific weight of each quality indicators will be increased if the performance failures occur in "peak periods".
 - ✓ Lisbon airport: 0700 to 10.00 am, local time, all year
 - ✓ Faro airport: 1st April to 30th September (IATA summer)
- Sets percentages of penalty, to be applied if the performance failures occur, with a progression that reaches 7.5% of regulated revenues, a year for each airport

	2013	2014	2015	2016	2017	2018	2019 and following years
Maximum Penalty	0%	0%	1,5%	3,0%	4,5%	6%	7,5%



Consultation Processes

Annual Charges Structures

Quality Service Targets

Investment Programme

**Transparency requirements
following the AC Directive**



Livening up airports.

Thank you for your attention.

Luis Ribeiro

Isabel Gonçalves