

№	Question -	Answer
1	Please provide the Methodology for determining the amounts of security fees, and how those are determined for aircraft and cargo/technical/other flights.	The Methodology for Determining the Airport Charges Collected by the airport operator of an airport with annual traffic exceeding 5 million passengers or by the airport operator of the airport with the largest passenger traffic in the Republic of Bulgaria (i.e. Sofia Airport) features as Appendix 1 of the Ordinance on the Charges for Using Public Use Airports and for Air Navigation Services in the Republic of Bulgaria. The Methodology states how the airport charges for Sofia Airport are determined.
2	Please provide the motives behind the decision to decrease the PAX charge from EUR 11.5 in 2016 to EUR 5.5 in 2017 and provide any potential impact on expected future charges. Please comment on the extent to which the reduced PAX charges affected the PAX increase.	Until 2016 Sofia Airport EAD was repaying a loan from the EIB in relation to the Sofia Airport Reconstruction, Development and Expansion project, and the related costs were included in the calculation of the PAX charge for Terminal 2. After the loan was repaid, those costs ceased to be incurred in 2017 and the PAX charge was therefore reduced. The reduction of the PAX charge has contributed to the recent increase in passenger traffic.
3	As per personnel breakdown, provided in VDR 7.6, Appendix 51 it is seen that personnel numbers in Logistics and Transportation decreased y/y in FY17 by 42 and 40 FTEs, respectively. Can you comment on these reductions in the context of an expanding airport in terms of passenger growth? If this is an underdevelopment, can you comment on the need for additional personnel to be hired in the future in those two departments?	Personnel numbers in Logistics and Transportation have not been reduced but some staff have been relocated to departments of other directorates.
4	As per personnel breakdown, provided in VDR 7.6, Appendix 51, the Total yearly costs for FY15 and FY16 is BGN 47,246k and BGN 50,031k while as per the EBITDA Base file Staff costs are BGN 52,465k and BGN52,819k for FY15 and FY16, respectively. Please confirm if the difference between those two figures is entirely attributable to the breakdown provided in VDR 7.6, Appendix 51 omitting pension compensations, unused paid leave provisions, social benefit costs and tax, as explained in the note.	In the breakdown provided in VDR 7.6, Appendix 51, the Total Yearly Costs for 2015 и 2016 do not amount to BGN 47,246 thousand and BGN 50,031 thousand respectively but to BGN 50,742 thousand and BGN 51,420 thousand respectively. These amounts represent remuneration paid, and, as stated in the note to said Appendix 51, they do not include the costs for staff at VIP A, the Cosmos hotel and the Balchik airfield, nor unused paid leave provisions, retirement compensations in accordance with the actuarial assessment performed, taxes on the social costs incurred, one-off social benefits or medical services as accounted for in 2016. As regards the amount of BGN 52,819

		<p>thousand for 2016, we confirm that it represents staff costs excluding the facilities not included in the concession.</p> <p>The amounts stated in the two files for 2016 are not comparable since the amount stated in Appendix 51, as noted above, includes remuneration for the stated year, and part of that amount is attributed to retirement compensations and unused paid leave booked as costs in previous years.</p>
5	<p>Please provide information on the key credit/payment terms with the airport's top 10 customers and suppliers for FY15, FY16, FY17 and 7M18. Also, please comment if there are any major changes in those terms during the period, and if yes, please indicate with which clients/suppliers.</p>	<p>No information about the key credit/payment terms with the airport's top 10 customers and suppliers for 2015, 2016, 2017 and the first 7 months of 2018 may be provided as such information is protected under Article 37 of the Competition Protection Act.</p> <p>We further confirm our understanding that the accounts payable and receivable of Sofia Airport EAD in respect of its customers and suppliers for past periods have no direct bearing on the subject of the concession and on the future concessionaire.</p>
6	<p>Please provide the ageing of trade payables, other payables and inventory as at Dec-15, Dec-16, Dec-17 and Jul-18.</p>	<p>The data as at December 2015, 2016 and 2017 is contained in the Annual Financial Statements made available – items 1.1.4, 1.1.5 and 1.1.6 of the Virtual Data Room respectively.</p> <p>The data as at July 2018 is available for review in the Physical Data Room subject to the conditions and procedure laid down in clause 5.1. of the Tender Documentation – Schedule “Reply to Letter No 100-20052/02.10.18, Item 5” – a total of 4 files.</p>
7	<p>Please comment on the decreasing gross margin on own shop sales in Terminal 2 (29.1% in FY15, 31.5% in FY16 and 25.2% in FY17) as per VDR file 1.1.7. Gross margin has been calculated as (gross sales - COGS) / gross sales.</p>	<p>The information is available for review in the Physical Data Room – Schedule 30.5.</p>
8	<p>Please explain the increase in gross judicial receivables from BGN 2,822k as at Dec-16 to BGN 5,244k as at Dec-17 including the</p>	<p>We provide no details on this issue since the information concerned is sensitive, it affects the rights and legitimate interests of third parties, and</p>

	background of the court cases and whether they are expected to be recoverable. Please confirm these balances will remain with the current airport operator and will not affect the Concessionaire.	is protected by law pursuant to Article 37 of the Competition Protection Act.
9	Please explain the accounting principal applied with respect to subsidies to airlines - does their recognition match the period to which they apply.	Sofia Airport EAD has not provided, nor does it currently provide, any subsidies to airlines. If your question refers to the discounts under the Programmes of Discount Incentives for the Development of the Air Traffic, the answer to this question has been provided in the following files: Q&A_20.09.18._1 and Q&A_09.10.2018_1.
10	In FY16, discounts on landing fees represented 10% of gross revenue compared to 22% of gross revenue in FY17. Please explain the increase in the discounts and provide a breakdown for the airlines to which the discounts were offered to.	For Sofia Airport, 2016 was a historic year, as 22 new year-round routes from/to the airport were launched. According to Sofia Airport's incentive programme, discounts for new routes are applied to the landing charge and are payable after the lapse of 12 months after the route is launched. This means that the discounts for the 22 new routes launched in 2016 were payable in 2017. Generally, the drastic increase in traffic in 2016 led to the payment of larger amounts in landing charge discounts in 2017. Information about the airlines which were given discounts in 2016 and 2017 is available for review in The Virtual Data Room – Schedule 30.6
11	Please provide information on the actual vs. budgeted YTD-18 repairs and maintenance costs, included in opex. Please also comment whether previous maintenance underspend is being compensated for in YTD-18. Additionally, please quantify the normal level of maintenance opex.	According to the Business Plan for the first eight months of 2018, there is underspending on repairs which will be compensated for in the 2019 Business Plan. Business plans are drawn up separately for each year and, where necessary, underperformance in a given year is carried forward to the business plan for the following year.
12	Please confirm whether there are there any make-good provisions or other requirements when the airport is handed back to the Government at the end of the Concession Agreement?	The procedures and requirements are laid down in detail in Clause 45 and Appendix 18 of the draft Concession Agreement.
13	As effective from Jan-17, the avg. salary for operating and administrative personnel increased every month y/y. Please explain the increasing trend and provide a reason behind it. Please comment on any salary increased and their effective date during the Review Period.	The information is available for review in The Virtual Data Room – Schedule 7.4.9

14	Please provide your estimate for a normal level for annual material and spare part expenditures.	The annual material and spare part expenditures are presented in item 1.1 of the Annual Financial Statements made available.
15	Please provide information on how the pension scheme will be structured given the current airport operator is liable for the obligation to date as well as what the provision build up and likely cash payments will be over the concession term.	Sofia Airport EAD has no pension scheme of its own and it only applies the relevant provisions of Bulgarian law. The Company's pension liabilities have been determined on the basis of an actuarial assessment. The actuarial assumptions are stated in the actuarial report, which has been made available in the Physical Data Room. As regards the build-up of provisions, we are unable to provide any information about that since the amount of provisions will entirely depend on the concessionaire's pension policy, on the staff structure relevant to these provisions (men, women, age, length of service), on the staff organisation (number of full-time staff, labour categories, staff turnover statistics) and on the economic conditions (interest rates, applicable obligatory rules on retirement, etc.)
16	Please provide details of the the other liabilities balance including the nature of guarantees received (BGN 2,202k as at Dec-17).	The information is available for review in the Physical Data Room – Schedule 1.17.
17	Please explain if and how receivables of BGN 50,309k from Bulgaria Air (as noted in the Grant Thornton Management report) were recognized on the balance sheet as at Dec-17.	The information on this issue is irrelevant to the subject of the concession – the concessionaire will not be affected by Sofia Airport EAD's accounts receivable and the airport charge claims of the MTITC. If there are any such claims, they will remain claims of the current airport operator Sofia Airport EAD, and it will be its duty to collect any such receivables.
18	Please provide details of the inventory impairment policy and comment on the process for reviewing inventory - are there cyclical counts including one annually?	Sofia Airport EAD takes stock of its assets, including its inventory, on an annual basis, and, as stated in the annual financial statements, performs impairment tests for its intangible assets, real estate, equipment and machinery in accordance with the Company's accounting policy. We further confirm our understanding that Sofia Airport EAD's inventory impairment policy is of no direct relevance to the subject of the concession and the future concessionaire.
19	Please comment on the recoverability of trade receivables over the Historical Period and the necessity for an impairment of any receivables.	Information on the impairment of receivables is provided in item 19 of file Q&A_20.09.18._1_

20	Please comment on any bad or doubtful debts recognised in FY15-17 and any late payment issues on payments by the Group.	The information on this issue is irrelevant to the subject of the concession. Sofia Airport EAD's accounts payable and receivable in relation to its counterparties, including debt and payments, will be settled only between Sofia Airport EAD and such counterparties, meaning that such accounts will not affect the concessionaire.
21	Please confirm why the non-aero revenue and opex presented in the Sofia Airport EBITDA Base Case 2017 are different to that recognised in the statutory accounts and why it is appropriate to adjust earnings for these line items under a privately owned concession.	The Annual Financial Statements of Sofia Airport EAD cover facilities not included in the Concession Site and therefore present extra commercial revenue and costs. Moreover, the current operator's Income Statement does not include rental revenue collected to the state's benefit. The concessionaire will be entitled to collect the full amount of rental revenue, and the state will no longer collect 50% of rental revenues, which is currently the case pursuant to Article 90(1) of the 2018 Republic of Bulgaria State Budget Act.
22	Please provide information on the calculations of NWC days - which specific balance sheet and income statement line items shall be taken into account for the calculation of DSO, DIO and DPO. Further, please provide receivables and payables balances (including net reconstruction project balances and government related balances) split between aero and non-aero revenue, and opex and COGS.	<p>We shall not provide information on the calculations of NWC days to be taken into account for the DSO, DIO and DPO calculations since the data relevant to them in Sofia Airport EAD's financial statements only relates to commercial activities.</p> <p>Concerning the receivables and payables balances, details are contained in Sofia Airport EAD's financial statements and in particular in the balance sheet items and the relevant disclosures relating to them, as follows:</p> <ul style="list-style-type: none"> - concerning accounts receivable and payable related to commercial activities – in “Accounts Receivable” and “Accounts Payable”; - concerning regulated activities (airport charges) – in “Accounts Payable and Receivable under the Reconstruction Project” and in “Accounts Payable and Receivable under the Contract with the Government of the Republic of Bulgaria”.
23	Please confirm why Ryanair revenues in Q417 were down versus Q416.	In Q4 2017 Ryanair achieved the discount criteria under the Programme of Discount Incentives for the Development of the Air Traffic of Sofia Airport and such discounts have been invoiced and thus resulted in such revenue decrease.
24	Please confirm whether any personnel or other opex is routinely capitalised.	No personnel or other operative expenses are capitalised.

25	<p>With reference to Clause 3.7.1 of the draft Concession Agreement, taking into consideration that the Government Users are authorities or companies in State ownership, we would like to suggest the provision of an obligation for cooperation by the Grantor in the process of consulting and entering into agreements with the respective Government Users.</p>	<p>No such text will be included since, regardless of whether the airport will be operated by a company with a public participatory interest or by a private operator, the conclusion of agreements with Government Users is a duty of the entity managing the airport. The current procedure is not of the nature of a public-private partnership (where, by definition, the risk is shared between the partners): it is a concession procedure, meaning that the risk is to be borne by the concessionaire. In addition, the draft Concession Agreement, in particular, but not limited to Clauses 3.3.2(e) and 3.7.9, provides that the Grantor shall provide assistance.</p>
26	<p>We came across some discrepancies in the enumeration and texts of the clauses in the Bulgarian and English versions of the draft Concession Agreement. For instance, the text in clause 3.2.22 of the English version includes the text of clause 18.8 of the English version (18.6 in the Bulgarian version). Further, there are technical mistakes in the numbering of clause 18 in the Bulgarian version. We propose that a thorough check-up of the two versions of the draft Concession Agreement is carried out and the technical discrepancies are corrected.</p>	<p>These technical discrepancies have been rectified in the amended draft Concession Agreement already published. Nevertheless, the draft Concession Agreement will be proofread again to make sure no such technical discrepancies persist.</p>