

№	Question	Answer
1.	<p>With reference to the following breakdowns provided for 2018:</p> <p>Data as at May-18:</p> <ul style="list-style-type: none"> - Number of flights (public information on your website) - Personnel costs (as provided in PDR 7.4.2) - Own shop sales (by terminal) - Traffic volume - Cargo and mail volume - Commercial revenue (excl. activities outside Concession) - Water and sewerage costs - List of movable assets (VDR 5.9) <p>Data as at Jun-18:</p> <ul style="list-style-type: none"> - Personnel and defined benefits liabilities (VDR 7.6, Appendix 49) - Monthly performance bonuses (VDR 7.6, Appendix 36) - Compensations related to termination of employment - Number of work-related accidents - Electricity consumption <p>Data as at Jul-17:</p> <ul style="list-style-type: none"> - Natural Indicators - Breakdown of reserves - Breakdown of other current liabilities <p>Data as at Aug-18:</p> <ul style="list-style-type: none"> - Revenue by airline - Passengers - Number of terminated contracts - Gross monthly salary - Monthly management accounts <p>Please provide the most current information you have on the listed items, including data for Sep-18, if you have it prepared.</p>	<p>This information is available in the Virtual Data Room – Appendix 32.</p> <p>The information (monthly management accounts and personnel costs) is available for review in the Physical Data Room, subject to the terms and conditions of Clause 5.1. of the Tender Documents – Appendix 32.</p> <p>With respect to the number of work-related accidents (occupational accidents) in 2018 (January- September incl.), there are a total of 6 (six) occupational accidents registered.</p> <p>The information regarding the gross monthly salary until July 2018 is provided in the file Q&A_09.08.18_5, Q. 45.</p> <p>Terminated contracts (Data as of August 2018): - A total of 5 property lease contracts were terminated in the period August - October (inclusive).</p>

2.	Thank you for your clarification on the impact of IFRS 15. In addition to this, could you please clarify what your timing is for conversion to IFRS 15? Also, we understand that under IFRS 15, rebate/discounts should be accrued in line with volumes (i.e. to reflect seasonality) rather than straight line. Could you please confirm whether the impact of this has been considered and what the quantum is?	IFRS 15 is applied since 01.01.2018 and the accounting reporting, regarding this standard, will be announced in the Annual Financial Statement for 2018. Sofia Airport EAD does not provide any rebate/discounts under contracts with clients, which should be reported in accordance with the requirements of IFRS 15.
3.	Could you please provide us with the periods each of the airline discount agreements run to?	There are no discount agreements with individual airlines. The time limits for provision of the different types of discounts are presented in the Incentives Program for Traffic Development at Sofia Airport. Considering the already qualified airlines, discounts are expected to be applied until 2021.
4.	Can you outline the major cash outflows and inflows in the business? How often do you have cash outflows associated with payments towards personnel, suppliers, contractors, capital expenditure? What payment terms do you provide to airlines? When are income receipts typically received in a month?	The answer to question No. 6 in the file Q&A_05.10.18_2 provides Sofia Airport EAD's monthly reports for the period January 2015 – August 2018. The answer to question No. 1 of Q&A_26.10.2018_2 provides the report for September 2018. The reports provide a cash flow statement as well, based on the indirect method, which shows the cash flow.
5.	Can you please provide information on the settlement terms of capital investment creditors and normal creditors? Are there any differences between the two and what are the usual terms in either case?	Sofia Airport EAD has no rules and practice of providing different settlement terms to lenders and debtors.
6.	Please provide intra month cash analysis for the last 12 months to Sep-18 eliminating any non-operational items.	Please see answer No. 4.
7.	With regards to the movable assets that can be bought or rented by the Concessionaire: In VDR 5.9.1.2 you provide an excel version of a list titled "List of movable assets that can be bought or rented by the Concessionaire" which includes both non-current assets (land, buildings, plant and equipment) and current assets (inventories, fuels, etc). However, in a more up-to-date file (VDR 5.9.1.3) the list includes only non-current assets. Also the two sources provide information as at different date. Please comment if the buy/rent option pertains only to non-current assets or current assets can also be bought/rented by the concessionaire.	Please see answer to Question No. 7, file Q&A_12.10.18_2, published on 12.10.2018 - movable assets include all the movable property, owned by the Current Operator.
8.	Could you please confirm whether the airport incurs any costs which are subsequently passed through to customers? If so, please explain the	Sofia Airport EAD does not bear any costs and expenses, pertaining to customers. For a limited number of services (telephone services, water,

	mechanism applied, how any under- or over-charged amounts are settled, whether there is an asset or liability on the balance sheet to account for these, respective amounts of passed through costs/revenue and cumulative over- or under-position)?	electricity supply) the company is the sole contracting partner of the supplier of such services, as it is the user of the services. Upon receipt of the invoices for these services by Accounting (respectively – the balance sheet), obligations for payment to the supplier occur, but only the part, used in Sofia Airport EAD’s operations is reported as costs, and the balance is re-invoiced without surcharge to the customers and showed as receivable (asset) from them.
9.	With reference to the answer of Question #1124 from 31.08.2018: "... The airport in Sofia is included in the list. According to Art. 92 para. 9 of the LMI, the revenues and expenses from the activity of the Ministry of Interior under par. 1 and 3 and the expenses under par. 2 shall be reported to the budget of the Ministry of Interior. Since the question raised concerns a significant amount of expenditure for sufficient precision, we will immediately contact the Ministry of the Interior and notify you in writing of the response received." Please comment on whether there has been a response from the Ministry of Interior and if, so what the outcome was.	The information is available on the Concession website https://www.concession-sof.bg/ - LEGAL INFORMATION – <u>Inquiry and received statement, regarding the application of Art. 92 and Art. 128 of the Ministry of Interior Act</u>
10.	Please confirm whether the current number of employees is adequate to ensure optimal operations at the Airport given the recent expansion. We note that there is a >10% increase in personnel costs budgeted for FY18 - what is driving this increase - FTEs or cost/FTE?	The personnel costs, budgeted for FY 2018, is related to the increased basic monthly salary since the end of 2017 r. and increased number of employees.
11.	According to PDR Appendix "Response to Letter No. 100-20052 / 02.10.18, item 5", related to monthly management accounts, in Aug-18 actual operating expenses incurred for the execution of public services and administration (Aero-related activities) amounted to BGN 37,328k vs budgeted BGN 43,111k. You note that the difference is primarily due to planned but unspent BGN 5,873k for Third Party Services which were deferred for a future period. Can you clarify the nature of unrealised expenses and whether they are expected to be realized by the end of FY18? If not, please explain the reason.	The unrealized expenses are the result of the reported lower costs for external (hired) services: - planned costs for supporting the employees of the Border Police, pursuant to the Law on the Amendment and Supplementing the MoI Act, as the changes concern amendments in the financing rules. Until now no actions have been undertaken to sign an agreement with the MoI for such costs; - planned costs for repairs, which are not expected to take place by the end of 2018, such as: • Current repairs of the asphalt concrete pavement of the apron – part of the apron taxiway TW "L".

		<ul style="list-style-type: none"> Current repairs of the asphalt concrete pavement of the apron – part of the apron taxiway TW "H". <p>Current repairs of a part of the concrete pavement in front of hangars 1-4.</p>
12.	Please provide a breakdown of all capex payables outstanding as at Dec-16, Dec-17, Jul-18 and Aug-18.	<p>as at 31/12/2016 BGN 268,358.12</p> <p>as at 31/12/2017 -</p> <p>as at 31/07/2018 BGN 2,208.00</p> <p>as at 31/08/2018 -</p>
13.	In an answer to Question #587 you note that electricity consumption has been relatively stable. However, as per breakdowns in VDR 1.2.9 (Приложение 18 EM.2) electricity consumption, net of 3rd parties and objects outside of the concession fluctuates 15% (21,753,876 kWh in FY15, 18,614,926 kWh in FY16 and 21,370,394 kWh in FY17). Please comment on the drop of electricity usage in FY16 given the airports growth.	Due to a technical mistake, the electricity consumed in 2016 is not specified correctly. Appendix 1.2.9.2 (available in the Virtual Data Room) reflects the consumption of electricity, without including any third parties and sites, outside the concession site for 2015, 2016 and 2017, which shows that the decreased consumption in 2016, compared to the average level is 6,1%, which is within the permissible tolerance.
14.	We have estimated revenue (gross and net) per PAX for the top 10 airlines, calculated as the annual revenue from the airline (as per file provided in physical data room) divided by annual number of PAX for the respective airline (as per Appendix 2.1.7 in the virtual data room). We note significant drops in both gross and net revenue per PAX for Bulgaria Air, Lufthansa, Austrian, Turkish, LOT, British Airways, Qatar in 2017 compared to 2016, but minimal changes for Wizz Air, Ryanair and EasyJet over the same period. Please confirm why certain airlines suffered a decrease but the low cost carriers did not.	The low-cost carriers maintain a very high level of passenger load, compared to the traditional airlines and therefore no changes are observed there through the years.
15.	Please provide information on the nature of advances from customers (part of other financial liabilities) and explain the increase from BGN 498k as at Dec-15, to BGN BGN 1,392k as at Dec-16 and BGN 2,576k as at Dec-17. Please confirm how this should be forecast going forwards post concession commencement date.	The changes are caused by the increased number of airport's customers and the increased volume and value of the transactions with them. Sofia Airport EAD cannot undertake a forecast, since it would be dependent on the customer base. Each and every Bidder should assess the estimates, element of the financial model.
16.	Please comment on the decrease in the avg. monthly inventory balances from BGN 10.3m in FY16 to BGN 9.1m in FY17, followed by a slight increase to BGN 9.2m in LTM-18. Please confirm how this should be forecast going forwards post concession commencement date.	If this question refers to the material stocks (inventories), the decrease is the result of the decreased inventories. Each bidder should assess independently the forecasts, element of the financial model.

17.	Please explain the increase in the avg. monthly trade payables from BGN 3.4m in FY16, to BGN 4.0m in FY16 and BGN 4.3m in LTM-18.	Explanatory note 16 of Sofia Airport EAD's Annual Financial Statement reflects the changes in the trade payables. The change in 2018 vs 2017 is usual.
18.	Please provide monthly information on the following balance sheet items for the period Jan 2015 to Jul 2018: 1) CIT payables; 2) Unused paid leave; 3) Prepaid advances; 4) Guarantees received.	This information is available in the Virtual Data Room – Appendix 1.1.15.
19.	Thank you for your reply to question 1991. However, please provide your view on the drivers/reasons behind the decrease in non-aero revenue yield from BGN 16.5/PAX in FY15 and FY16 to BGN 14.6/PAX in FY17, such as: 1) Airport operation above capacity, which increased passenger processing times and resulted in decreased time available for shopping; and/or 2) Increase in PAX driven mostly by low cost airline carriers, characterized by passengers who shop less; and/or 3) Other reasons	Apart from the reasons you have mentioned, it should be noted that the non-aero revenues also include operating revenues, concerning activities, not related to passengers, such as ground handling, cargo and forwarding activities, loading and sales of fuel and de-icing, as well as rental revenues, which increased through the years and this also contributed to the reduction of the total non-aero revenues per passenger. The passenger growth takes place at a much higher rate than the growth of the revenues from non-regulated activities.
20.	Please comment on the decrease in employees in the Retail department between FY15 and FY16 (282 FTEs as at Dec-15 and 202 FTEs as at Dec-16, respectively, as per VDR 7.6, Appendix 51)	As evidenced from VDR 7.6, appendix 51.1 the difference in the decrease of the number of employees in the retail department from 2015 to 2016 (282 full-time equivalents at December 2015 and 202 employed full-time in December 2016) is caused by the division of the directorates and the allocation of the positions by responsibilities. The decrease in the number of employees in the retail department in 2016 vs 2015 is due to the following reasons: - restructuring of the activities and redirection of positions from the retail operations to procurement, logistics/retail activities and marketing; - redundancies among the staff in the retail department.
21.	Please confirm whether the exceeded planned capacity for Terminal 1 and Terminal 2 as of FY17 represents a limitation for the future PAX growth.	Irrespective of the exceeded planned capacity of Terminal 1 and Terminal 2, this is not an issue for future growth. It is possible in terms of better passenger loads and additional aircraft turns in non-peak time slots.

22.	Please comment on the accounting treatment of rebates with respect to the following: 1) Are the rebate agreements coterminous with the year end? 2) How accurate have they been in the past i.e. when it comes to estimating volumes?	The discounts on airport charges are provided and reported in the accounting, based on the moment of occurrence of the reason for recognition and calculation of the specific value, in accordance with the applicable rules of the respective discounts programme. In previous periods there have been no significant discrepancies between the planned and paid discounts on volume.
23.	Please explain the 19.6% CAGR growth in the total landing weights of aircrafts from 1,230m kg in FY15 to 1,759m kg in FY17 - is this due to a higher number of ATMs or larger aircrafts etc.?	The higher number of ATMs, as well as the capacities of the larger aircrafts have impact on the increase in the total landing weights of aircrafts in 2017, compared to 2015.
24.	Please comment on the nature of the planned "Other costs" as per your Business Plan (PDR 1.5.1) for FY18 and why they increase so much compared to FY17 (BGN 4,045k for FY18 vs BGN 1,872k for FY17).	The answer is provided in the file Q&A_17.10.18_1, answer No. 10.
25.	Please comment whether you update your Annual Business Plan (PDR 1.18) in the course of the fiscal year and if, in your view, the budgeted figures for revenues and expenses are achievable for FY18	In the course of the financial year, the Business Plan is updated, in case of occurrence of the respective circumstances, necessitating that. At present, the Business Plan for 2018 has not been updated. The budget figures for budgeted revenues and expenses are achievable for FY18
26.	Please provide a breakdown of sale of goods from own shops by type of product for 8M17 and 8M18.	The information is available in the Virtual Data Room – Appendix 2.3.10.
27.	Please provide information on the standard credit terms with suppliers, including any major changes between FY15-FY18. Also, please indicate what is the normal level of DPO for FY15-LTM-18 (Aug-18).	With respect to the supply, services and construction contracts, signed, as a result of public procurement procedures and private orders, the payments are to take place after the performance of the respective contract. Additionally, depending on the subject matter and specificities of the respective procurement, there is an existing practice of also providing a down payment, which usually amounts to a maximum of 20 % of the price of the respective contract, and this payment is secured by a guarantee. Sofia Airport EAD does not have standard credit terms with suppliers. Payments to suppliers are effected in accordance with the contractual terms and conditions, negotiated with each individual supplier.
28.	Please provide information on the standard credit terms with airlines, including any major changes during Fy15-FY18.	The standard credit terms include payment 30 days after receiving the respective invoice. 10% of the airlines have agreed payments after 45 days.

29.	Please explain the decrease in the DIO from 92 days in FY16 to 75 days in FY17. DIO were calculated using COGS as provided in the Management EBITDA base file - is this the right basis to calculate DIO?	Please, see the answer to question No. 22 in Q&A_11.10.2018_2.
30.	We note there are BGN 1.7m of materials (within inventory) which are >120 days aged - please confirm if there are any ageing issues associated with this balance and how these materials were assessed for impairment at Dec-17.	The presence of materials, aged over 120 days does not mean that there are aging issues. See the answer to question No. 18 in the file Q&A_11.10.2018_2.
31.	Please provide a breakdown for the budgeted revenue from airport charges (broken down into passenger fee, security fee, landing fee, etc) for the full FY18B, in a comparable format to the budgeted revenue as per the AFS for FY17.	The information is available in the Virtual Data Room – Appendix 2.2.3.1.
32.	Please provide the underlying reasons behind the decision to increase landing fees for all aircraft types in FY16 and to subsequently decrease in FY18 to FY15 levels (VDR Prilojenie 2.2.2.2.1)	In 2016 there was an increase in the costs for the calculation of the Landing fee, due to the reflecting of the expected expenses, related to the enforcement of Final Arbitration Decision of the Tribunal at the International Arbitration Court of the International Chamber of Commerce in Paris, on file ref. No. 15178/EC/GZ/GFG between Sofia Airport EAD and MAK/ADMAK. In 2018 no such expenses were included in the expense basis for determining the airport charges, which further resulted in a decrease in the landing fee
33.	Please explain the following differences between actual 8M18 and budgeted 8M18 aero revenue based on PDR Appendix "Response to Letter No. 100-20052 / 02.10.18, item 5" with respect to: - 11% higher actual landing fees (BGN 24.7m) vs. budgeted (BGN 22.2m), given the decrease in the actual landing charges for all aircraft groups as of FY18. - 41% higher actual passenger fees (BGN 24.0m) vs. budgeted (BGN 17.0m), given only 3% increase in actual PAX in 8M18. - 15% higher actual non-aero revenue (BGN 72.0m) vs. budgeted (BGN 62.6m), given only 3% increase in actual PAX in 8M18.	The difference between the planned revenues for the landing fee and the passenger fee, in the first 8 months of 2018 and the actual revenues, reported in this period, is due to discounts, planned in July 2018, reducing the revenues, as these have not been accrued yet. The increase in the non-aero revenues is due to the increased retail revenues from the shops, the ground handling, loading and sales of fuel and de-icing, guest lounges and VIP services.
34.	Please comment on which items within other liabilities will be an ongoing feature of net working capital i.e. prepaid amounts for suppliers and gurantees received by the Group. How should these be modelled going forwards?	Please, see the answer to question No. 2 in the file Q&A_17.08.18_1.

35.	Please provide the reasons behind the constant annual revenue for public parking in FY16 - FY17, despite the 30% increase in PAX over the same period.	<p>The reasons behind the constant annual revenue for public parking in 2016 - 2017, despite the 30% increase in PAX over the same period, are:</p> <ol style="list-style-type: none"> 1. In close proximity to the Sofia Airport there are eight operational parkings of private operators, with a total capacity of approximately 800 vehicles. Two-thirds of these parkings were opened in 2017. Trying to establish a competitive advantage, the operators of these parking lots always offer lower parking fees. 2. The public paid parking at Terminal 2 has four levels of 200 places each or a total capacity of 800 vehicles. An average of 340 places are usually occupied throughout the specified period, based on subscriptions, or approximately 40% of the parking capacity. There are moments, when at peak loads, the system reports no free places and does not allow any new clients inside. 3. The main increase of the PAX at the Sofia Airport is due to the swift entry of the low-cost airlines. Not every passenger, using the low rates of these companies, would be willing to afford additional expenses for services, such as using paid parking. Many passengers arrive at the Sofia Airport using public transport or vehicles of their friends and relatives, who just drop them there and leave the area of the terminals, without entering the paid parking. Similar is the situation with the arriving passengers. <p>The “paid parking“ service is rather specific and no interrelation should be sought between the PAX growth and the growth in the revenues from the public parking services.</p>
36.	Thank you for your answer to the question related to reconstruction project receivables / payables & government grants receivables / payables. However, as all those balances relate to the agreement between Sofia Airport and MTITC related to collected airport charges from airline carriers on behalf of MTITC, please explain why the two balances are accounted on the balance sheet separately. Further, the balances together appear very large, is this because the debtors were not settled on a timely basis initially? What would the debtors have been at Dec-17 and Juk-18 under the concession arrangement?	<p>As indicated in the explanatory notes to Sofia Airport EAD’s annual financial statements for 2016 and 2017, the payments of airport charges have two addressees: DG CAA and MTITC, based on two different legal reasons (two separate contracts). The statements contain disclosures regarding each balance, related to these contracts, on Company’s balance sheet.</p> <p>The debtors and all the other payments by the Sofia Airport EAD to the DG CAA and the MTITC, are not related to the concession and do not concern the concessionaire.</p>

37.	Please confirm our understanding with respect to reconstruction project receivables / payables & government grants receivables / payables as follows: The receivables balances relate to the amounts due from airline carriers for airport charges whilst the excess amounts accrued for or received above the aero-related operator costs are recognized as a liability to MTITC. The agreements apply until the airport is granted to a concessionaire.	We hereby confirm that the understanding with respect to reconstruction project receivables / payables & government grants receivables / payables is correct and that the agreements apply until the airport is granted to a concessionaire.
38.	Please provide annual average sale prices for fuel over FY15-FY17 and comment on any differences between the periods.	This information is available in the Virtual Data Room – Appendix 11.17 .
39.	Please explain the lower maintenance expenses in FY15 compared to FY16 and FY17.	The increase of the expenses in 2016 and 2017, compared to 2015 is related to the progressive increase of the PAX.
40.	Please explain the lower materials and spare parts expense in FY15 compared to FY16 and FY17.	As indicated in the AFS, the expenses for materials in 2015, compared to 2016 and 2017 were the highest, as the main increase is related to the electricity expenses, and the other costs and expenses are relatively constant. A part of the activities of the „Transport and Fuels & Lubricants“ Directorate is to maintain vehicles and equipment of the Sofia Airport. In this respect, the need of spare parts for vehicles and aircraft servicing equipment, their quantities and types, are the result of constantly occurring damages of various nature and on various vehicles and aircraft servicing and specialist airport equipment. The older the equipment, the higher its level of depreciation and rate of failures. Therefore, the resources, needed to repair such damages and failures, continuously increase. There is also a certain impact by the changes in the prices of the parts, which increase with time.
41.	Please explain the nature of retail and household services, part of social programme benefits.	Acquisitions for retail and household services, are only the vouchers, provided in accordance with the Collective Bargaining Agreement.
42.	Please comment on the level of working capital level that you consider as normal or "average" for the company. Please specifically consider in your answer seasonality trends and comment on any specific movements from average WC year on year. Please confirm how you have managed WC funding requirements historically.	With respect to Sofia Airport EAD's working capital, it should only be considered with regard to the capital, related to Company's trade activities, i.e. excluding the receivables and payables, under the reconstruction project and the receivables and payables under the contract with the MTITC. From this perspective, historically and at present, Company's working capital is within normal and balanced levels and values, without

		significant impact by seasonal trends and without any need of using short-term financing, as specified in the file Q&A_17.10.18_1, answer No. 7.
43.	<p>Please explain the following differences between VDR file 30.6 and VDR 2.2.5.6:</p> <ul style="list-style-type: none"> - FY16: Discounts on landing fee provided to Bulgaria Air as per VDR 30.6 was BGN 928k and as per 2.2.5.6 was BGN 789k; - FY17: Discounts on landing fee provided to Bulgaria Air as per VDR 30.6 was BGN 1,099k and as per 2.2.5.6 was BGN 595k; - FY17: Discounts on passenger fee provided to Bulgaria Air as per VDR 30.6 was BGN 777k and as per 2.2.5.6 was BGN 1,030k. 	<p>We have found out that due to the large number of technical mistakes in both files sent, there are certain discrepancies in the data. After correction of these mistakes, Bulgaria Air's discounts are available for review in the Virtual Data Room – Appendix: 2.2.5.6.1.</p>
44.	<p>Please confirm how much of the passenger charge revenue related to the EIB loan in FY16 and FY17. Please confirm when this charge ended and which airlines it impacted. NB: Please confirm this was the only revenue related to the EIB loan in FY16 and FY17 and confirm whether there was any cost incurred in these periods in relation to the EIB loan that is no longer continuing.</p>	<p>According to paragraph I.1.6 Methods for Determining the Airport Charges, the expenses for the repayment of the loan from the EIB (principals, interests and other expenses) since the occurrence of the relations with the credit institution and until the final repayment of the loan, are included as cost element. On this basis, the amount of the passenger fee for 2016 and 2017, included costs of a total of BGN 20 254 000 (EUR 10 356 000). The costs refer to all companies, who have paid passenger fees in 2016 and 2017. The specified amount is the ultimate and final payment for this loan.</p>
45.	<p>Current trading and outturn:</p> <ol style="list-style-type: none"> 1. Please confirm the principal reasons why EBITDA for the 8 months ending 31 Aug-18 was BGN 18.4m higher than the budget for the 8 months ending 31 Aug-18; 2. Specifically please confirm what has driven PAX being 144k higher than budgeted (e.g. which airline) and how a higher aero yield per PAX (BGN 1.7 per PAX) has been achieved in the 8 months to 31 Aug-18; 3. Please confirm if the opex savings in the 8 months to 31 Aug-18 are permanent or temporary - i.e. has opex been deferred or are these real savings?; 4. Please provide the FY18 budget in a pro forma format which is comparable to the IFC pro forma P&L. 	<ol style="list-style-type: none"> 1. EBITDA for the first 8 months of 2018 was BGN 18,4 million higher than the budgeted value, because in this period, according to the report, there was an increase in: <ul style="list-style-type: none"> - the regulated revenues, vs the budgeted, based on the discounts planned, which will be provided at a later stage. - non-regulated revenues, compared to the budgeted values, affected by the growth of the natural indicators. <p>Please, note that for Sofia Airport EAD the revenues from regulated activities are not included in the formation of the profit.</p> 2. The increase in the number of passengers, compared to the budgeted levels, concerns the following airlines – WIZZ AIR, DEUTSCHE LUFTHANSA AG, BRITISH AIRWAYS , EASY JET AIRLINE COMPANY LIMITED, LOT POLISH AIRLINES, THY TURKISH

		<p>AIRLINES, as a result of new destinations launched and increased passenger loads.</p> <p>3. The planned and non-incurred opex at present, apart from those, specified in question 11 above, will be incurred by the end of FY 2018.</p> <p>4. The information is available for review in the Physical Data Room, subject to the terms and conditions of clause 5.1. of the Tender Documents – Appendix 1.5.3.</p>
46.	Please confirm whether the BGN 105 increase in salaries referred to in a previous Q&A answer is per month or per annum.	The BGN 105 increase in salaries is on a monthly basis.
47.	Please explain the key drivers behind revenue increases in cargo, VIP, Lounges / sale of airline tickets and advertising revenues.	The increase of the revenues from “VIP services“ and “Lounge services“ is based on the growth in the number of passengers, using the VIP and Lounges. The increase in advertising revenues is mainly due to the re-negotiation of long-term contracts, resulting in higher revenues, as well as contracts, signed with new customers.
48.	Please provide further details on why 50% of rental income is due to the government currently.	The payment of 50% of the rental income to the government is made pursuant to art. 90, para. 1 of the Law on the National Budget for 2018
49.	Please can you confirm how the IFC pro forma opex adjustment was calculated - are the costs adjusted for which are related to assets outside of the concession, directly related to these assets or were costs allocated? If they were allocated please confirm how this allocation was done.	Costs were adjusted to exclude objects and assets outside the concession scope.
50.	Please confirm why the FY18B maintenance expenditure budget of BGN 9.7m is so much higher than for the previous 3 periods (between BGN 4-5m). Please confirm what you would consider a normal level of maintenance expenditure.	<p>The expenditure, shown in the answer to question 11 herein, is budgeted for FY 2018, as no such expenditure occurred in previous periods.</p> <p>The level of the annual maintenance expenditure is reflected in the submitted AFS with an index 1.1.</p>
51.	Please confirm what you would consider a normal level of materials and spare parts expenditure.	<p>The level of the annual expenditure for materials and spare parts is reflected in the submitted AFS, with an index 1.1.</p> <p>With respect to the parts and supplies for vehicles and equipment, the “Transport and Fuels & Lubricants“ Directorate cannot specify a strict rate, because only the supplies, to be used in regular maintenance operations, can be planned in advance, based on the mileage or worked hours. The other expenses for parts, used in repairing ongoing failures and damages on the vehicles and aircraft servicing equipment, are of</p>

		accidental nature and depend on the type of the equipment and the scope of the failure/damage.
52.	In relation to the lost handling contract with Austrian Airlines please confirm what the EBITDA impact of this would be. The Grant Thornton report references a revenue impact of BGN 0.8m.	The terminated contract with Austrian Airlines is currently not expected to affect the EBITDA, since there is over-performance of the revenues from ground handling.
53.	Please provide further details on the holiday benefits increase of BGN 1.7m in 2017 relating to Christmas and Easter bonuses. Are further increases expected in future years?	This increase is the result of the number of employees and certain individual bonuses. No increased payments are expected in 2018, compared to 2017. In 2019 –Sofia Airport EAD’s Business Plan is currently being prepared and approved.
54.	Please quantify the impact of the new contracts with UPS and BUTA airways. Have any new contracts been won or lost in addition to those noted in the Grant Thornton report?	UPS carries out flights 5 times a week, BUTA – once a week. Since 1 August 2018 there is a contract, signed with Iraqi Airways for a regular line, 3 times a week. Only the ground handling contract with Wizz Air expires on 31 October 2018. The auxiliary services contract will remain effective.
55.	The Grant Thornton report references increased competition for ground handling contracts and we note that the Wizz Air ground handling agreement will not be renewed. Please provide further details behind ground handling profitability, how the Group plans to approach this going forwards and the EBITDA impact of not renewing the Wizz Air ground handling contract (including the impact of not transferring employees on this contract).	At present, analyses are being prepared for 2019, regarding the terminated ground handling agreement with Wizz Air. We cannot provide a forecast, regarding the impact on the EBITDA of the not renewing the contract.
56.	We note that PAX and ATM growth has slowed in the Last Twelve Months at Aug-18. Can you please confirm the principal reasons behind this.	In 2016 Ryanair started operating at the Sofia Airport with a significant number of flights, which resulted in the high rate of growth in the PAX and ATM in 2017. A moderate growth of the PAX and ATM was observed in 2018 vs 2017. This is expected to be the case also in 2019.
57.	We understand that discounts are often recorded in the second half of the year. Can you please confirm whether true-ups are performed on the discounts provided and how this works in practice. Please also confirm how this will be treated in relation to the concession agreement - e.g. if rebates are under accrued prior to the commencement of the concession, will these will be for the account of the current operator and not the Concessionaire - how will this work in practice?	Discounts accumulated before the Commencement Date of the Concession will be borne by the Current Operator and the discounts, accumulated after that date will be borne by the Concessionaire. The incentive programs (providing discounts to airlines from the airport charges) are approved by the Airport Operator for each calendar year. The way the discounts are applied is described in detail in the

		Incentives Program. From a legal perspective, such programs would not be binding for the Concessionaire and may not be “transferred” to it. However, for commercial considerations, the Concessionaire will have to introduce and apply a similar program from the Concession Commencement Date. It will be a business decision of the Concessionaire whether to recognize the activities or other indicators accrued by the airlines up to such cut-off date.
58.	Please provide additional details on the growth of Wizz Air to 2.0m PAX in FY17. What was the strategy behind driving this PAX growth and how was this achieved in practice?	In the beginning of 2016 Wizz Air had 5 flights, based in the Sofia Airport. From the very beginning of 2017 they started operation with 7 based aircrafts, which resulted in an increased frequency and number of destinations.
59.	Please explain why the gross and net revenue per PAX for airlines other than Wizz Air and Ryanair dropped so much in FY17. Why did this not impact Wizz Air and Ryanair when the passenger charge reduction due to the EIB loan repayment would have impacted all carriers?	Please see the answer to Question No. 14.
60.	Please provide further detail on the nature of fixed versus variable costs - the document uploaded to the VDR notes that the majority of costs are variable but we would expect a large portion of the employee costs to be fixed or, at minimum, semi-variable due to each employee having an employment contract which would result in redundancy costs if terminated.	Regarding the type of expenses for salaries and the related payments (social security contributions and benefits), we stand by the opinion that these are classified as variables, since they change, depending on the volume of company’s business operations, company’s policy, on the changes in the basic and additional salary and benefits, changes in the thresholds for social security and health insurance contributions, etc. The costs, in case of termination of an employment agreement, mainly depend on the reason for the termination of the employment agreement, according to the Labour Code and not always result in additional costs.
61.	Please confirm what fixed assets will be provided as part of the upfront concession fee.	The assets that are included in the Concession Site are described in detail in Schedule 2 of the Tender Documents. The Upfront Concession Fee is not a payment for specific assets – it is part of the overall consideration from the Concessionaire for the Concession granted.

62.	Please confirm whether the current assets will be included in the moveable assets available for purchase / lease as part of the concession agreement. If they will be please provide a full list of current assets (e.g. inventories, goods) available for buy/lease (such as in VDR 5.9.1.2), along with their book value as at Aug-18 or the latest available date.	All the movable assets, which the concessionaire will be able to purchase or lease, are now included in Appendix 5.9.1.2/5.9.1.3 in the Virtual Data Room.
63.	Please confirm whether the frozen cash identified in the Dec-17 statutory accounts (BGN 2.9m - cash held in escrow accounts; and BGN 2.1m - deposits relating to IATA and customs agency guarantees) will be required going forwards and whether this should be considered trapped cash for the Concessionaire. Please also confirm what the cash held in escrow accounts relates to.	The frozen cash belong to Sofia Airport EAD and will not remain frozen for the concessionaire. The amounts in the escrow accounts concern a business transaction of Sofia Airport EAD.
64.	Please provide a breakdown of the gross and net (of discounts) reconstruction project and government grants receivables / payables balances.	The method of formation of the receivables / payables balances within the reconstruction project and under the agreement with the MTITC is specified in the respective disclosures in the AFS for FY2017.
65.	Please confirm how cut-off items will be dealt with in the concession agreement. For example aero discounts, rebates, non-aero volume arrangements, prepayments, amounts paid to the airport in advance, unused leave provisions, defined benefit liabilities etc. -e.g. where a prepayment has been made or an advance payment has been received (and for each of the other items noted) how will this be dealt with as part of completion?	In essence, the principle is clear, the cut-off date will be the Concession Commencement Date. However, as there is a variety of contracts and there will be a transfer procedure for contracts, different mechanisms may apply to various categories of contracts with the principle that the benefit after the Concession Commencement Date applies to the Concessionaire.
66.	Please confirm that the following working capital balances should be considered ongoing working capital balances for the Concessionaire (noting that the balances themselves will not be transferred at the Concession Commencement Date and working capital will instead be built up over the first 12 months of operatorship): - other receivables (excluding judicial and awarded receivables of BGN 2.5m); - inventory; - trade receivables - aero (grossed up for 100% of aero charges); - trade receivables - non-aero (grossed up for 100% of rental income); - personnel liabilities;	Each Bidder should make their own calculations, based on the information provided.

	<p>- trade payables;</p> <p>- tax liabilities; and</p> <p>- other liabilities (please confirm what this balance relates to and whether it should be considered part of ongoing WC).</p> <p>For each of the above items please confirm what a normal level of WC might be considered under the concession arrangement.</p>	
67.	Please provide the cash unwind profile of the unused leave provision and how it should be modelled going forwards.	In the future the modelling will conform to the provisions of the IAS and IFRS 19. This information is available in the Virtual Data Room – Appendix 7.4.12.
68.	Please clarify your Q&A response noting the Group is not party to any finance or operating lease arrangements given the statutory accounts refer to operating lease contracts for rental income from office and trade spaces.	The answer concerns the issue of the impact of IFRS 16 Leases on the accounting and Sofia Airport EAD's operational leasing contracts, regarding income from leased offices and retail areas, do not fall within the scope of IFRS 16 Leases.
69.	Please confirm how the concession operation guarantee is expected to operate - will the guarantee need to be cash backed and if so when will the cash guarantee be required and how will the mechanism work?	The cash-back is a matter of internal arrangements between the issuing bank and the party requesting the guarantee to be issued (ie the Concessionaire). All other aspects are set forth in Clause 16.3.
70.	Please confirm what you consider to be a minimum level of working capital required by the Group to operate (giving consideration to seasonality factors).	Each Bidder should make their own calculations, based on the information provided
71.	Please provide the goods ageing analysis at Dec-17 in the same format as provided for materials at Dec-17.	This information is available in the Virtual Data Room – Appendix 2.3.11. A report on all immobilized goods as at 31.12.2017 has been provided (excluding any movements in 2017), the rest of the goods are in regular turnover.
72.	We note there are BGN 1.7m of materials which are >120 days aged - please confirm if there are any ageing issues associated with this balance and how these materials were assessed for impairment at Dec-17.	See the answer to question No. 30.
73.	Per the PDF document provided titled "2019 consultation" there is an amount of BGN 4,377k referred to as "Difference from prior period".	This amount derives from the surplus of revenues over expenses, reported in 2017 (positive result) of the airport charges, included in the basis for

	Please confirm the nature of this balance - it appears to relate to an over-charging of aero charges in 2017 which will be trued-up in the 2019 aero charges. Please confirm whether these amounts have been received yet or remain in receivables and how this will be handled at completion.	determining the amount of the airport charges according to the principle of adjustment of the cost base by reporting data, introduced at the end of 2017 by the Ordinance on airport charges (the last paragraph of the preamble of the Ordinance).																									
74.	In response to your answer below please confirm whether you consider the FY17 bonus amounts to be reflective of what will be paid going forwards: "Due to an arrangement between Sofia Airport EAD and Trade Union organisations, parties to the Collective Labor Contract, the amount of the bonuses for Christmas and Easter, set under the Business Plan for 2017, was increased."	No increase of the payments, compared to 2017 is expected in 2018. In 2019 – Sofia Airport’s Business Plan is currently in a process of development and approval.																									
75.	Please confirm that the BGN 53.0m of aero operator costs included in the IFC pro forma P&L (VDR document titled Sofia Airport EBITDA BASE 2017) are included in the total opex per the pro forma P&L of BGN 84.0m and are not additional to this amount of BGN 84.0m. If they are not included please confirm the nature of these and why they have been excluded from the pro forma P&L. If the BGN 53.0m is included in the BGN 84.0m please confirm our understanding of the regulated vs. non-regulated opex below is correct: BGN 10.9m of the total opex of BGN 84.0m is common to both regulated and non-regulated operations (e.g. finance department costs etc) and therefore this amount has to be allocated between the regulated and non-regulated elements using a pre-determined methodology (as detailed by the Q&A). VDR files 1.10.2.1 and 1.10.2.2 allocate BGN 5.1m to regulated and BGN 5.8m to non-regulated. The remaining BGN 73.0m of opex is directly attributable to either regulated and non-regulated and therefore does not require a specific cost allocation. This approach results in the following allocation of opex for FY17: <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Aero</td> <td style="width: 20%;">(directly attributable)</td> <td style="width: 10%; text-align: center;">=</td> <td style="width: 15%;">BGN</td> <td style="width: 40%; text-align: right;">47,899</td> </tr> <tr> <td>Aero</td> <td>(allocated)</td> <td style="text-align: center;">=</td> <td>BGN</td> <td style="text-align: right;">5,101</td> </tr> <tr> <td>Total</td> <td>aero opex</td> <td style="text-align: center;">=</td> <td>BGN</td> <td style="text-align: right;">53,000</td> </tr> <tr> <td colspan="5"> </td> </tr> <tr> <td>Non-aero</td> <td>(directly attributable)</td> <td style="text-align: center;">=</td> <td>BGN</td> <td style="text-align: right;">25,195</td> </tr> </table>	Aero	(directly attributable)	=	BGN	47,899	Aero	(allocated)	=	BGN	5,101	Total	aero opex	=	BGN	53,000						Non-aero	(directly attributable)	=	BGN	25,195	<p>The specified costs of BGN 83.9 m, include OPEX of both the airport operator and the business company.</p> <p>We confirm the allocation of the costs between regulated and non-regulated activities and the division between the directly attributable and allocated costs for each of these activities.</p> <p>The annual financial statements contain no information regarding the division between directly attributable and allocated costs.</p>
Aero	(directly attributable)	=	BGN	47,899																							
Aero	(allocated)	=	BGN	5,101																							
Total	aero opex	=	BGN	53,000																							
Non-aero	(directly attributable)	=	BGN	25,195																							

	<p>Non-aero (allocated) = BGN 5,777 Total non-aero opex = BGN 30,971</p> <p>Further, please confirm how we can reconcile the above to the Annual Financial Statements.</p>	
76.	Please confirm the current pension liabilities and unused leave provisions and any other outstanding personnel liabilities recorded on the balance sheet will be for the account of the Vendor.	Items from the balance sheet or the accounts of the Current Operator may not be transferred to the Concessionaire.
77.	Please confirm whether there are any debtor recoverability concerns over Bulgaria Air given the BGN 50.3m of receivables noted in the Grant Thornton annual management report. Please comment on debtor days for this airline.	We confirm our understanding that Sofia Airport EAD's receivables are not directly related to the concession site and the future concessionaire.
78.	Please provide further detail on the impact of Ryanair having reached the defined award criteria for a Program for incentive discounts for the development of traffic at Sofia airport in Q417. What was the EBITDA impact of achieving this award criteria in Q417 and will this reduction in revenue continue going forward? Please also confirm why Ryanair PAX were down in Q417 versus Q416.	<p>For Sofia Airport EAD there will be no impact on the EBITDA, since the revenues from regulated activities do not take part in the formation of the profit.</p> <p>In November 2017 Ryanair discontinued its flights from 5 of its destinations to the Sofia Airport (SOF-CDT, SOF-FMM, SOF-PSA, SOF-NYO, SOF-TSF). The frequency of operation to 8 more destinations was reduced (SOF-ATH, SOF-BCN, SOF-MXP, SOF-CIA, SOF-CRL, SOF-STN, SOF-SXF and SOF-CGN). This is the reason for the reduced number of passengers of the airline in Q4 of 2017.</p>
79.	Please provide the Business Plan as at Aug-18 with the same level of detail as already provided for FY18 (available in PDR 1.3.2). Specifically please provide a detailed breakdown of the components of materials expenses, third party services, personnel costs and other expenses	This information is available in the Virtual Data Room – Appendix 1.5.4.
80.	Please provide trading for the 8 months to 31 Oct-17 in the same format as the IFC pro forma EBITDA analysis so that we can compare the year-to-date trading positions.	Each Bidder should make their own calculations, based on the information provided
81.	Please confirm whether any new contracts have been signed or any contracts lost in addition to those noted in the Grant Thornton annual management report.	Factual analysis of the implemented and non-implemented ground handling contracts with airline operators, operating to and from Sofia.

		<ul style="list-style-type: none"> ▪ Implemented contracts, as a result of awarded contracts in competitions, where Sofia Airport EAD has participated, for the appointment of a ground handling operator – ramp services: UPS, BUTA Airways. ▪ Termination of contracts in the part for ramp services of the Austrian Airlines of 01.11.2017. <p>UPS carries out flights 5 times a week, BUTA – once a week. Since 1 August 2018 there is a contract, signed with Iraqi Airways for a regular line, 3 times a week. Only the ground handling contract with Wizz Air expires on 31 Октомври 2018. The auxiliary services contract will remain effective.</p>
82.	<p>Please confirm whether any major contracts / arrangements are due to end in the next 24 months and, if so, what the impact on revenue and costs would be. Please also confirm whether any contracts will need to be renegotiated on commencement of the concession (any change of control clauses?).</p>	<p>All contracts for public/private procurement, regarding services, supplies and construction, have been provided and are available for review in the Physical Data Room. We would like to further clarify that at present there are no contracts, expiring in the next 24 months, for the implementation of major infrastructural projects for the acquisition of significant assets. As for the question, related to the renegotiation of clauses in the signed contracts, upon commencement of the concession, please note the answer to question 21 in the file Q&A_04.09.18_2 regarding the public and private procurement contracts for the provision of services, supplies and construction.</p>
83.	<p>Are any further salary increases forecast given the recent pay rise was the first one in 10 years?</p>	<p>No increase in the payments, compared to 2017 is expected in 2018. In 2019 – Sofia Airport’s Business Plan is currently in a process of development and approval.</p>
84.	<p>Please confirm which employees are entitled to participate in the defined benefit pension scheme.</p>	<p>All the employees, having reached the legally established age, and having acquired the respective number of employment experience, according to the Labour Code, are entitled to retirement.</p>
85.	<p>Please confirm whether prepaid advances (within other receivables) should be considered part of ongoing WC after the concession commencement date - per a previous Q&A response this balance relates to advances paid to suppliers for expenses which are to be executed in accordance to the term of their accounting: i.e. transportation passes, maintenance, magazine and newspaper subscriptions and others; for working clothes.</p>	<p>The prepaid advance payments form part of Sofia Airport EAD’s working capital.</p>

86.	Please provide additional detail on the capex underspend in FY15 and FY16 including projects budgeted and not performed and whether these projects were included in the following years expenditure.	Business plans are prepared for each separate year, as – if necessary – any non-performance of the previous year is included in the Business Plan for the next year.
87.	Please explain whether compensation will need to be provided to the current operator for advance payments and insurance premiums given they will not be transferred. How will this work in practice? Does a Purchaser need to purchase this separately? What else would this apply to?	As there is a variety of contracts and there will be a transfer procedure for contracts, different mechanisms may apply to various categories of contracts. Depending on the terms of each Transferring Contract, the specific terms and conditions of the transfer will have to be agreed upon on a case-by-case basis. Please also refer to previous Q&As regarding Transferring Contracts (in particular, regarding insurance contracts please see Q&A published on 25.09.2018, #1726 of the Summary Table).
88.	<p>The amended Concession Agreement sets out the following definition of financial institutions: “Financial institutions” means any bank, equity investor, investment fund, multilateral international financial institutions and development financial institutions, provided that the Republic of Bulgaria is shareholder or member of such institution. ’</p> <p>Please clarify whether the condition “the Republic of Bulgaria is shareholder or member of such institution” refers to “multilateral international financial institutions and development financial institutions ” or to all of the above, including “any bank, equity investor, investment fund”.</p>	This refers to each of the specified institutions, i.e. including “bank, equity investor, investment fund“.
89.	<p>In connection with Art. 13.2.1. (c) of the amended Concession Agreement, our understanding is that the restriction “there is no new investor with a participation exceeding twenty per cent (20%) of the entire Share Capital” refers only to the Transitional Period.</p> <p>Please confirm that after the expiry of the transitional period a new investor may acquire a share of more than 20% in so far as the requirement for initial investors to control at least 60% of the capital is met.</p>	Yes, Clause 13.2.1(c) applies only to the Transitional Period.