

Brief Guide to the Compilation of the Multiannual Business Plan (BP) in Accordance with the Prospectus as per Annex VIII of the Call for Tenders

The BP, composed of the Forecast Profit/Loss Account, the Forecast Statement of Assets and Liabilities and the Forecast Cash Flow, of which a digital example is provided in Excel format (Annex VIII), is already specifically drafted for entering the input data in a forecast period of up to 50 years, the maximum duration of a redevelopment concession/rental. The calculation models for the financial-economic assessment's and project bankability's indexes, as well as those for the bank loan, are an integral part of the BP.

Data may be entered and modified only within the cells highlighted in yellow. All other cells already contain the necessary calculations for obtaining the various results. Should the applicants be familiar with the spreadsheet proposed, they may modify or customise it, integrating other items in the BP' spreadsheet and eventually even changing the reference annuities. Within the Project Proposal, the applicants shall analyse and assessed separately the following elements:

- a) Duration in years of the BP and concession/rental period: duration between 6 and 50 years for the adequate recovery of the invested capital, proportioned to the achievement of the economic-financial balance of the initiative. Through simple operations made on the spreadsheet, the duration (as well as the following operations) may be customised on the basis of the project for which the economic-financial planning is being proposed.
- b) Revenues and Operating Costs: the BP allows for the insertion of current monetary values at constant market prices for the estimates made with regard to revenues and operating costs. It is considered useful that the applicants, during the compilation of the BP, present the overall revenues in a different section, specifying the procedures adopted for each type, should the project entail more services subject to a fee. With regard to the operating costs, the applicants shall present in a different section of the BP the various accounting entries that shall lead to the assessment of the various types of operating costs for each year: human resources, ordinary maintenance, insurance, advertisement, energy, etc.. This tear-down analysis of the revenues and operating costs must be in line with the specifications set forth in Annex VII - Economic-Timeline Bid and in Annex IX - Call for Tenders Details Sheet. Once the estimates of the revenues and costs levels for the first start-up year are completed - also thanks to the formulation of the aspects related to the market and the management provided for in the previous sections -, it is advisable that those same values record a linear growth until the last year of management of the property (end of concession); the growth to be associated to both entries (revenues and costs) can be set within the limits of the expected GDP's prudential growth and, in any case, within a 2% maximum, taking account of inflation. Should the applicants be in possession of empirical evidence that the asset/services of the project may record higher growth rates, the application of revenues and/or costs' growth rates higher than 2% may be admitted, notwithstanding the adequate justification to be presented in the special Annex IX - Call for Tenders Details Sheet, in the part related to operating costs and revenues.
- c) Discount Rate: the European Commission set the rates at 3.5% for the Community programme period 2014-2020. Generally, the rate can be amended also in accordance with the interest rate owed to the bank, adding to the latter a 1-3% margin, also according to the level of risk perceived by the applicants. For a low risk, usually, 1% is added to the bank rate; in other cases, 2-3% may be added.

- d) Extraordinary Maintenance: it is advisable to forecast an extraordinary maintenance activity every 5-8 years so as to maintain the structure in full functionality. This activity, too, included in the Excel prospectus, is capitalised under fixed assets.
- e) VAT Management: the BP foresees the possibility to recover outstanding VAT incurred during the implementation of the construction site to the extent of 22% of the investment, within the three following years. Other recovery procedures, such as the automatic compensation with the VAT received on revenues, may be accounted for by amending the relevant parts of the Excel prospectus.
- f) Investment Hedging Resources: generally, the projects with a private capital of at least 20-30% and a bank loan not greater than 30-50% of the overall investment's cost are assessed in a better way from a financial sustainability point of view. The spreadsheet contains a section in which, starting from the share of financing envisaged on the total investment figure, it is possible to simulate the yearly debt instalment (also divided per principal and interest) on the basis of the interest rate (fixed condition) and of the duration.
- g) Public Subsidies: The digital BP contains two sections that allow for the insertion of this entry, which can be recorded under Operating Account, Capital Account or both accounts, obviously in so far as the law permits.