Subject: State Aid SA.49901 (2017/N) – Italy
Restructuring aid to Aerdorica S.p.A – Airport Marche/Ancona

Sir,

The European Commission (hereinafter: "the Commission") wishes to inform Italy that, having examined the information supplied by your authorities, it has decided not to raise any objections to the State aid referred to above as it is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union ("TFEU").

The Commission has based its decision on the following considerations:

1. PROCEDURE

   (1) On 7 June 2017, the Commission decided to raise no objections on a notified State aid in the form of a loan of EUR 7.28 million for the rescue of Aerdorica S.p.A. ("Aerdorica" or "the company") on the grounds that the rescue aid met the conditions for compatibility with the internal market laid down in Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty\(^1\) ("R&R Guidelines")\(^2\).

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His Excellency Enzo Moavero Milanesi
Minister of Foreign Affairs and International Cooperation
Piazzale della Farnesina, 1
00135 Roma
On 20 December 2017, Italy notified to the Commission its plans to grant restructuring aid to Aerdorica.


On 5 February 2018, the Commission received a written submission from AIRiminum 2014 S.p.A (hereinafter "AIRiminum"), the current concessionaire operating the airport of Rimini, expressing its concerns about the restructuring aid planned to be granted to Aerdorica and stressed, in particular, the closeness between the two airports and the impact on competition. On 9 February 2018, the Commission forwarded a non-confidential version of this written submission to the Italian authorities. Italy provided its comments on 16 March 2018. AIRiminum provided additional press information between February 2018 and May 2018 and met twice the Commission services on its request.

2. Detailed Description of the Aid

2.1. The beneficiary

Aerdorica was established on 5 February 1968 and is owned by the Marche Region (89% of the shares), by the Chamber of Commerce of Ancona, the Provinces of Ancona, Pesaro and Ascoli Piceno and the Municipality of Ancona, representing together 6% of the shares and approximately 5% by some private shareholders, including the Bank of Marche and local entrepreneurs.

Aerdorica operates as concessionaire of the airport Aeroporto delle Marche (hereinafter "Marche airport"), which is the only airport in the Marche Region. The concession was granted on 18 March 2013 for 35 years by the Italian Civil Aviation Authority, "Ente Nazionale per l'Aviazione Civile" (hereinafter "ENAC").

On 16 November 2017, Aerdorica employed 96 persons in activities directly related to airport operation and, according to the Italian authorities, its activity induced employment of other 150-200 persons in related services. The regional unemployment rate in the past three years in Marche (NUTS-Level 2) ranging from 10.0% in 2015 to 10.6% in 2016 and 2017 has been constantly above the EU average (which was 9.4% in 2015, 8.6% in 2016 and 7.6% in 2017). While the EU average decreased constantly since 2015, unemployment in the Marche Region increased.

Aerdorica provides services to passengers, airlines, cargo, business partners and to all operators using the airport facilities. The airport has a surface area of some 194 hectares. The airport has a passenger terminal sized to handle up to 1 million passengers per year. As further shown in Table 2 (see below recital (12)), Marche airport falls under the category of small regional airports defined in point 26 of the Commission’s Guidelines on State aid to airports and airlines.

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3 Unemployment rates by sex, age and NUTS 2 regions (%), Eurostat.
("Aviation Guidelines") since actual passenger traffic is below 750 000 per year. At present, the Marche airport accounts for less than 0.04% and 0.0001% of, respectively, air passenger and freight traffic in the Union.

(9) As of March 2018, the Marche airport had regular flight connections with other airports in the European Union such as Stansted in London, Brussels Charleroi or Düsseldorf Weeze, as well as with other third countries, such as Tirana in Albania. The airlines operating in Marche airport as well as the destinations are summarised in Table 1 below.

<table>
<thead>
<tr>
<th>Company</th>
<th>Destinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volotea</td>
<td>Seasonal: Catania, Cagliari, Palermo (resumes on 26/03/18)</td>
</tr>
<tr>
<td>AlMasria Universal Airlines</td>
<td>Seasonal charter: Sharm El Sheikh</td>
</tr>
<tr>
<td>Tez Tour</td>
<td>Seasonal: Kiev, Riga and Tallinn</td>
</tr>
<tr>
<td>Windrose Airlines</td>
<td>Seasonal: Kiev-Boryspil (starts on 09/06/18)</td>
</tr>
<tr>
<td>Mistral Air</td>
<td>Seasonal: Alghero, Olbia</td>
</tr>
<tr>
<td>Ryanair</td>
<td>London-Stansted, Charleroi and seasonal: Weeze-Dusseldorf</td>
</tr>
<tr>
<td>Easyjet</td>
<td>Berlin-Tegel (starts on 03/08/18), London-Gatwick (starts on 27/06/18)</td>
</tr>
<tr>
<td>Albawings</td>
<td>Tirana</td>
</tr>
<tr>
<td>Lufthansa Regional</td>
<td>Munich</td>
</tr>
<tr>
<td>Neos</td>
<td>Caribbean, Dubai and Baltic countries</td>
</tr>
</tbody>
</table>

Source: Aerдоровica economic and financial plan 2018-2021

(10) The Marche airport is one of the 29 airports that provide international passenger/freight services in Italy. Among these, Marche is around 200 kilometres away from Bologna airport, around 110 kilometres away from Perugia airport, around 170 kilometres away from Pescara airport and less than 100 kilometres away from Rimini airport (around 86 kilometres). For the purposes of the Aviation Guidelines, the Rimini airport is, therefore, in the same catchment area as the Marche airport. After the insolvency and liquidation of a previous concessionaire, the Rimini airport restarted operations in 2015 under the management ofAIRiminum and has recorded growing profits since then.

(11) The Italian authorities also explain that Marche and Rimini airports have different operational profiles in terms of configuration and functionality.

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5 As defined in point 25 n. 12) of Aviation Guidelines: the two airports are located within less than 100 kilometres or 60 minutes travelling time by car, bus, train or high-speed train.
6 AIRiminum had EBITDA amounting to EUR 1.9 million and EUR 2.4 million in 2016 and 2017 respectively and net profit of EUR 1.1 million and EUR 1.6 million in 2016 and 2017 respectively.
Firstly, there are significant differences in the origin of the passenger traffic flows. In Rimini airport, around 58% of passengers travel from outside the European Union (90% of which in charter flights) while, for Marche airport, this figure stands at only 10% (see Table 2).

Table 2 – Passenger traffic 2007 - 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Airport Marche</th>
<th>Airport Rimini</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Out of which non EU</td>
</tr>
<tr>
<td>2007</td>
<td>491.529</td>
<td>33.470</td>
</tr>
<tr>
<td>2008</td>
<td>409.573</td>
<td>61.144</td>
</tr>
<tr>
<td>2009</td>
<td>425.334</td>
<td>54.619</td>
</tr>
<tr>
<td>2010</td>
<td>510.605</td>
<td>46.637</td>
</tr>
<tr>
<td>2011</td>
<td>601.845</td>
<td>54.761</td>
</tr>
<tr>
<td>2012</td>
<td>558.885</td>
<td>47.388</td>
</tr>
<tr>
<td>2013</td>
<td>498.055</td>
<td>42.118</td>
</tr>
<tr>
<td>2014</td>
<td>473.854</td>
<td>45.213</td>
</tr>
<tr>
<td>2015</td>
<td>515.886</td>
<td>58.729</td>
</tr>
<tr>
<td>2016</td>
<td>478.137</td>
<td>54.047</td>
</tr>
<tr>
<td>2017</td>
<td>479.965</td>
<td>51.834</td>
</tr>
<tr>
<td>Total</td>
<td><strong>5.443.668</strong></td>
<td><strong>549.960</strong></td>
</tr>
<tr>
<td>Average</td>
<td>494.879</td>
<td>49.996</td>
</tr>
</tbody>
</table>

*Source: Assaeroporti. Data processed by Statistics Office AOI

Secondly, according to the Italian authorities, there are also significant differences in the traffic configuration of the two airports. Freight traffic is relatively important in Marche airport due to its location in an intermodal hub while being nearly non-existent in Rimini airport. Also as regards passenger traffic, the split between leisure and business trips is balanced in Marche airport while leisure is strongly predominant in Rimini airport. Furthermore, passenger traffic is relatively stable throughout the year in Marche airport while in Rimini airport, traffic is very seasonal and concentrated in summer, with no flights at all some days in winter.

As a matter of fact, there is positive and meaningful correlation between the growth of passenger traffic figures of the two airports shown at Table 2. The positive correlation indicates that increases of passenger traffic in Marche airport are not associated with decreases in Rimini airport and vice versa, for otherwise, the sign of the relationship would be negative. A meaningful event or shock corroborates this fact. In effect, the significant decrease in passenger traffic in Rimini after 2014 (e.g. -66% in 2015 compared to 2014) due to the difficulties of the former concessionaire did not lead to commensurate increases.

According to data published by Assoaeroporti, the total freight for the year 2017 in Marche airport amounted to 6.808 tons while it amounted to 4 tons for Rimini airport. In addition to this, the Italian National Plan on Airports identifies cargo traffic activity in Marche amongst the airports where the activity is already operational and needs development.
of traffic in Marche: passenger traffic in 2016 and 2017 remained virtually unchanged from 2014 in Marche airport.

(15) Thirdly, the Italian authorities explained that the Marche airport has a special position on the Adriatic coast and plays an important role to allow the landing and take-off of aircraft size permitting carriage of the field hospital and module communications owned by the Regional Civil Protection Department\(^8\). The Marche airport also serves as headquarter of the fire brigade and to dispatch the medicines or the organs to be transplanted in the hospitals of the Marche region. Therefore, the continued operation of the airport is essential for the activation of this unified regional emergency hub.

(16) Finally, Italy underlines that Regional Law No 6 of 17 March 2009 declares that the provision of ground airport services connected to air transport "constitutes a service of general economic interest within the meaning of Article 86(2) of the EC Treaty (now Article 106(2) of the TFEU), which can be compensated in application of the Commission notice 2005/C312/01". In addition, through Article 11 (c) of the Regional Law No 33 of 4 December 2014, the Marche Region identified Aerodorica as a company indispensable for the pursuit of institutional objectives of the Region.

2.2. Aerodorica's difficulties and past financial performance

(17) According to the Italian authorities, the difficulties of Aerodorica are mainly due to three factors: (i) episodes of maladministration, (ii) imbalanced financial structure and (iii) errors of industrial and commercial nature. Those are explained under recitals (18) to (21) below.

*Episodes of maladministration*

(18) Previous directors would have carried out transactions for the sole purpose of diverting company funds. Criminal proceedings for fraud, embezzlement and accounting matters have been initiated against the previous management. The tax audit report drawn up by the Italian Financial Police quantifies the subtracted financial resources to amount up to approximately EUR 15 million.

(19) Following the regional elections on 31 May 2015, the shareholders of Aerodorica appointed a new Managing Director and new members of the company’s Board of Auditors.

*Incorrect financial structure choices*

(20) Previous directors would have covered annual losses by revaluing the assets under concession, without requesting new financial resources from the shareholders. Following an impairment test, it appeared that the resulting total value write-down for the assets under concession amounts to […]{\(^*\)}

*Errors of industrial and commercial nature*

(21) Aerodorica suffered from its excessive reliance on low cost carriers which promoted growth in passengers and gross sales, but undermined the profitability

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\(^8\) These are operational units included in the European Civil Protection Mechanism (EUCPM), which pools resources from all Member States in order to respond to emergencies that might arise inside or outside the Union.

\(^*\) Confidential information
of low load factor routes because of fixed amounts of co-marketing contributions; as a result, the increase in low cost traffic did not bring higher non-aviation revenues, resulting in over-sizing the structure and in a significant increase in operating charges.

(22) The above-described causes of difficulties had a very negative impact on Aerdorica’s financials. Table 4 below provides the key financial data of Aerdorica for the years 2016 and 2017 and shows losses, so that already in 2016 and thereafter, the company had consumed more than half of its registered capital and recorded a debt to equity ratio close to six.

Table 3 – Key financial data from 2016 and 2017 (EUR million)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues (a)</td>
<td>10.3</td>
<td>7.5</td>
</tr>
<tr>
<td>Operating expenses (b)</td>
<td>(10.1)</td>
<td>(11.8)</td>
</tr>
<tr>
<td>EBITDA (a-b)</td>
<td>0.2</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Net profit/(loss)</td>
<td>(2.6)</td>
<td>(21.6)</td>
</tr>
<tr>
<td>Total debt</td>
<td>42.7</td>
<td>42.2</td>
</tr>
<tr>
<td>Share capital</td>
<td>20.1</td>
<td>6.4</td>
</tr>
<tr>
<td>Equity</td>
<td>6.4</td>
<td>-15.2</td>
</tr>
</tbody>
</table>

*Source: Reply to request for information dated 4 February 2019*

2.3. **Ongoing proceedings before the insolvency Court**

(23) On 27 December 2016, the Public Prosecutor’s Office in Ancona filed for bankruptcy of Aerdorica. On 14 February 2018 Aerdorica submitted to the Insolvency Court of Ancona, the request for the admission to pre-bankruptcy proceedings ("concordato preventivo") as a going concern, under oversight of a judicial commissioner to explore an arrangement with creditors in order to avoid bankruptcy ("concordato in continuità aziendale")9.

(24) On 13 June 2018 the company filed a final proposal for an arrangement with creditors pursuant to Article 186 bis of the Italian Bankruptcy Law. On 24 September 2018 the Court admitted the Company to the pre-bankruptcy proceedings. Should the creditors or the Insolvency Court refuse the proposed debt settlement, the Court should decide the liquidation of Aerdorica. If the creditors accept and the Insolvency Court endorses ("omologa") the debt settlement, Aerdorica would be freed from all debts that were outstanding on 14 February 2018 or that accrued during the insolvency proceedings. The essential contents of the debt settlement proposal is described below at recital (30).

2.4. **The restructuring plan**

(25) Aerdorica started an in-depth restructuring process that is planned to end in 2022, in order to restore the long-term profitability of the company. To support the plan, the Italian authorities have notified restructuring aid in favour of Aerdorica consisting in share capital increase of EUR 25.05 million to cover the

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9 See Article 186 bis of Bankruptcy Act, Royal Decree No 267 of 16 March 1942 (Official Journal No 81 of 6 April 1942)
financial restructuring included in the restructuring plan. This amount includes the reimbursement of the rescue loan of EUR 7.28 million.

(26) In preparation of this restructuring and to finance its plans, Aerdorica started searching an interested investor. After a first and unsuccessful call published in November 2017, Aerdorica launched a new call for expression of interest in a negotiated procedure on its website in April 2018. Three applicants responded with binding offers by 12 June 2018. However, since Aerdorica could not lawfully award new shares through that type of negotiated procedure, the company launched a new call for tender, which the Ministry of Infrastructure and Transport approved on 21 November 2018.

(27) On 11 January 2019, this open tender was awarded to the sole bidder, a private company based in Milan, Njord Adreanna S.r.l.. This company is under the supervision and management of Njord Partners LLP, a long-term investment and turnaround private equity fund, with a focus on mid-capitalisation enterprises and assets across Western Europe. Njord Partners LLP was founded in 2013 by executives from KKR & Co and Oaktree Capital, and have since inception, successfully invested over EUR 230 million in 11 companies across multiple sectors. The investment team, supported by an extensive network of senior advisers, has relevant industry experience, notably in airport investment and management, general infrastructure and turnaround.

(28) In its bid, Njord Adreanna S.r.l. firmly and irrevocably committed to provide EUR 15 million capital in exchange for 77% - 80% shares of the company, depending on the position of the minority shareholders, intended to cover various restructuring costs according to the industrial plan submitted to the Commission.

2.4.1. The financial restructuring

(29) As regards the financial recovery of the company, the current level of Aerdorica's indebtedness prevents it from repaying with revenues from ordinary operations. The debts of Aerdorica amounted to EUR 47.5 million as of 14 February 2018, that is more than six times its total annual turnover. The draft creditor arrangement that Aerdorica filed with the Insolvency Court of Ancona, proposes to repay EUR 25.03 million debt in total, which will be fully covered the share capital increase of EUR 25.05 million provided by the Marche Region.

(30) As further detailed in Table 4, the debt settlement proposal contains the following conditions: (i) full payment of the preferential and strategic creditors, including the EUR 7.28 million amount of the rescue loan (ii) 15% repayment of unsecured creditors and (iii) 0% repayment of subordinated creditors.

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10 See: Regional Law No 19 of 5 June 2018 "Modifiche alla Legge Regionale 7 aprile 20017 n. 13 "Interventi urgenti per assicurare la continuità del servizio di trasporto aereo nella Regione Marche" (Official Journal No. 47 of 7 June 2018).

11 See Article 4, paragraph 4 of the concession agreement with ENAC, read in conjunction with the Ministerial Decree No. 521 of 12 November 1997, which implements Article 10 of the Law No. 537 of 24 December 1993
### Table 4 – Aerdorica’s debt settlement proposal

<table>
<thead>
<tr>
<th>Adjusted balance 14/2/18</th>
<th>Amount payable through the aid</th>
<th>Write-off</th>
<th>Restructuring aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>47.532.727</td>
<td></td>
<td></td>
<td>25.050.000</td>
</tr>
</tbody>
</table>

#### Creditors repaid at 100% of their claims

<table>
<thead>
<tr>
<th></th>
<th>[…]</th>
<th>[…]</th>
<th>[…]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal costs linked to the procedure</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
</tr>
<tr>
<td>Preferential creditors repaid in full</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
</tr>
<tr>
<td>Preferential creditors repaid in full</td>
<td>[…]</td>
<td>Satisfied with cash and client receivables</td>
<td>[…]</td>
</tr>
<tr>
<td>Rescue loan from Marche Region</td>
<td>7.280.000</td>
<td>7.280.000</td>
<td>-7.280.000</td>
</tr>
</tbody>
</table>

#### Creditors repaid at 15% of their claims

<table>
<thead>
<tr>
<th></th>
<th>[…]</th>
<th>[…]</th>
<th>[…]</th>
</tr>
</thead>
</table>

#### Creditors repaid at 0% of their claims

<table>
<thead>
<tr>
<th></th>
<th>[…]</th>
<th>[…]</th>
<th>[…]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marche Region loan (as subordinated creditor)</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
</tr>
</tbody>
</table>

Source: Reply to request for information dated 4 February 2019

### 2.4.2. Industrial and business plan

Aerdorica’s industrial and business restructuring plan is mainly financed with the participation for EUR 15 million of the new private investor, Njord Adrenna S.r.l., taking over a controlling stake in Aerdorica with a new management team. The industrial restructuring plan presented in its bid by Njord Adrenna S.r.l., is based on the plan presented to the Court of Ancona on 13 August 2018 and has the following main objectives:

i. increase of passenger traffic […]. The forecast amount of passengers in 2022 would imply an average of 22 additional weekly flights […], also reinforcing the touristic vocation of the Marche airport;

ii. doubling the freight traffic by 2022 […] by transforming Aerdorica into a regional hub in the Northern Central area of Italy […];

iii. review the internal organisation to remove bottlenecks and maximise operational efficiency in order to be able to manage the increased air traffic as well to improve the cost structure […];

iv. increase of […], among others, via […] as well as improving […].
Aerdorica already implemented temporary measures in order to reduce labour costs. For example, as from 1st November 2017, Aerdorica's employees in the operating sector (aviation, cargo and handling) started working in "split" shifts because of the low number of flights. Aerdorica and the trade unions signed an agreement reducing staff indemnities that is being implemented since 1st January 2018. These measures shall contribute the free financial resources up to [...].

Aerdorica also decided to outsource its ground handling services and, to that effect, Aerdorica received several price quotes from service providers, which were signed by Aerdorica’s administrator on 20 October 2017. The total savings (contribution of) expected from the outsourcing amount to [...].

2.4.3. Return to viability

The restructuring plan submitted by the Italian authorities has a base case scenario relying on the increase of the passenger and freight traffic, whose assumptions are explained under section 2.4.2.

The Italian authorities submitted projected financial statements for Aerdorica. Projections in the restructuring plan have been made under a baseline scenario drawn up based on the Industrial Plan presented to the Court of Ancona, reviewed and improved independently by the private investor, Njord Adreanna S.r.l. The Italian authorities also provided projections under a pessimistic scenario, based on more adverse assumptions. Table 5 presents selected financial data under both scenarios, the reasonableness and adequacy of which are assessed in recitals (77) to (85).

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Baseline scenario</th>
<th>Pessimistic scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Operating revenue</td>
<td>[...]</td>
<td>[...]</td>
</tr>
<tr>
<td>Operating costs</td>
<td>[...]</td>
<td>[...]</td>
</tr>
<tr>
<td>EBITDA</td>
<td>[...]</td>
<td>[...]</td>
</tr>
<tr>
<td>Net result</td>
<td>[...]</td>
<td>[...]</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>[...]</td>
<td>[...]</td>
</tr>
<tr>
<td>Key revenue driver</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of passengers</td>
<td>[...]</td>
<td>[...]</td>
</tr>
</tbody>
</table>

In the pessimistic scenario, the Italian authorities have assumed a prudent constant yearly increase of 3.8% of the passenger traffic in Marche airport, which is the forecast for the Italian market growth from the International Air Transport Association. The Italian authorities have also defined a peer group of the four closest neighbouring airports of Marche: Perugia, Pescara, Bologna and Rimini. In terms of passenger traffic, Marche airport represented 5% of the total 2018 traffic in the perimeter defined by Marche airport and its peer group
airports. While the assumption in the base case scenario is a progressive increase of the Marche airport market share in this perimeter to [...], the pessimistic scenario assumes a constant market share during the whole restructuring period.

2.4.4. Overview of restructuring costs and sources of financing

(37) The Italian authorities have identified the following items as restructuring costs and corresponding sources of financing, summarized in Table 6.

Table 6 – Restructuring costs and sources of financing (EUR million)

<table>
<thead>
<tr>
<th>Restructuring costs</th>
<th>Sources of financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Settlement of past debts</td>
<td>Capital increase</td>
</tr>
<tr>
<td></td>
<td>State</td>
</tr>
<tr>
<td>25.05</td>
<td>25.05</td>
</tr>
<tr>
<td>Subtotal</td>
<td>Total State support</td>
</tr>
<tr>
<td>25.05</td>
<td>25.05</td>
</tr>
<tr>
<td>[...]</td>
<td>[...]</td>
</tr>
<tr>
<td>[...]</td>
<td>[...]</td>
</tr>
<tr>
<td>Capital increase</td>
<td>Njord Adreanna S.r.l.</td>
</tr>
<tr>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>Total contribution from non-public sources</td>
</tr>
<tr>
<td>26.5</td>
<td>26.5</td>
</tr>
<tr>
<td>Total restructuring costs</td>
<td>Total sources of financing</td>
</tr>
<tr>
<td>51.55</td>
<td>51.55</td>
</tr>
</tbody>
</table>

(38) It follows from Table 6, that the contribution to meeting the total cost of restructuring of EUR 51.55 million from the company and/or private sources of finance amount to EUR 26.5 million, 51.4% or of the costs.

3. Assessment of the measures

3.1 Presence of aid

(39) According to Article 107(1) TFEU, "save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects the trade between Member States, be incompatible with the internal market".
It follows that, for a measure to be qualified as State aid within the meaning of Article 107(1) TFEU, the following cumulative criteria must be met: (i) it must be granted by the State and through State resources; (ii) it must confer an advantage upon an undertaking; (iii) it must be selective, i.e. favour certain undertakings or the production of certain goods; and (iv) it must distort or threaten to distort competition and it must affect trade between Member States.

The Commission notes that the Italian authorities notified the measure consisting in a capital injection of EUR 25.05 million as State aid under Article 107(1) TFEU in the context of Aerdorica's restructuring plan.

State resources and origin of the measure

The subscription to the capital increase shall be granted in application of regional Law No. 19/2018 from the budget of the Marche Region, which is an administrative entity of the Italian State. Given that the notion of Member State includes all levels of public authorities, regardless of whether it is a national, regional or local authority, the capital injection involves State resources and is imputable to the State.

Selectivity

The capital injection is provided only to Aerdorica to assist and support its restructuring and is not part of a broader measure of general policy and application that would be available to all undertakings in the Region or in Italy. As the Court has stated that, where individual aid is at issue, the identification of the economic advantage is, in principle, sufficient to support the presumption that a measure is selective. Moreover, in light of the objective pursued, the funds are granted on a totally ad hoc basis to a single company and similar funds are not available to other Italian airport concessionaires in the same sector, such as those referred to in recital (10), which are in a comparable legal and factual situation, or in other sectors. No comparable companies are eligible for measures similar to those granted to Aerdorica and thus no such companies received a comparable advantage. The capital injection is therefore a selective measure.

Advantage

The stated object and the effect of the capital increase is to avoid the bankruptcy and liquidation of Aerdorica and Italy does not claim that the same amount of fresh capital would be provided by a market shareholder in the same or a similar situation as the Marche Region. Actually, the considerations alleged by the Region for its intervention in the restructuring of Aerdorica revolve around aspects that would be extraneous to a market investor in the same position such as regional development, employment and public services.

It is apparent from the financial situation portrayed in recitals (17) to (22) that Aerdorica has a high amount of debt, serious solvency and liquidity problems, which led the company to undergo collective insolvency proceedings. The other shareholders of Aerdorica do not participate pro-rata of their ownership holding along with the Marche Region in providing similar fresh financial support to Aerdorica. This is an indication that the Region does not provide funding on a

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13 See judgment of 4 June 2015 in Case C-15/14 P Commission v MOL, EU:C:2015:362, para. 60.
*pari passu* basis prorata of its holding in Aerdorica with a view to securing a market conform return of it.

(46) Moreover, the return on the EUR 25.05 million capital provided by the Region is expected to be very low, less than [...]% around 2022. In comparison, the yield of less risky sovereign 10 year Italian bonds beginning February 2019 were around 2.75%, so that a [...]% return on invested capital thus insufficient for a market investor. In effect, all of the capital injected by the Region is earmarked to settle the past debts of Aerdorica, without expectation of market-based return on stand alone basis. Likewise, the contribution from the Region and expected return does not match or compare with the capital contribution of Njord Adreanna S.r.l., which is fully conditional on the prior investment of the Region and on Aerdorica exiting the insolvency proceedings. Njord Adreanna S.r.l. will invest EUR 15 million in exchange of an 77-80% controlling stake of Aerdorica’s shares and could expect a return of [...] in 2022, whereas EUR 25 million public capital injection will provide the Region only with a 20-23% holding. Therefore, both investments will not be at *pari passu* conditions.

(47) The above-mentioned elements prove that Aerdorica would not have access to a capital injection for the same amount and in the same conditions than those accepted by the Marche Region and allow concluding that the capital injection confers an economic advantage to Aerdorica up to the full amount thereof.

*Distortion of competition and effect on trade*

(48) If the aid granted by a Member State strengthens the position of an undertaking compared to other undertakings competing in intra-Union trade, the latter must be regarded as affected by that aid.14

(49) From a supply viewpoint, Italy credibly claims that in the absence of the planned capital injection, Aerdorica would be declared bankrupt and liquidated. At present, numerous undertakings in the Union provide airport operation services under concession. Since the public funding aims at and is capable of preventing the liquidation of Aerdorica and retendering the Marche airport concession to another concessionaire, the public funding actually prevents that competition for the tendering of the concession takes place.15

(50) From a demand viewpoint, airport concessionaires provide services to airlines carrying passengers and freight across the European Union and there is competition in principle between airports within Italy and in other Member States in attracting airlines. As shown in recital (8) Aerdorica provides services to various airlines operating elsewhere in the Union and passengers flying to airport Marche from other Member States. The capital injection shall allow the airport concessionaire continuing doing so and increasing the range of airlines and destinations served from Marche airport.

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15 A similar finding of effect on competition and trade of restructuring aid to a concessionaire operating a legal monopoly for water supply in Sardinia and not operating on any other market was made in Commission decision of 31.7.2013 in case SA.35205 (2013/N) – Italy- Restructuring aid to Abbanoa S.p.A.
The planned capital injection is not reimbursable and amounts to around four times the annual turnover of Aerdorica, which, arguably, would need to increase its tariffs in the future if it had to obtain such finance in the market. Indeed, the notified capital increase provides Aerdorica with funding that it could not have obtained on the market, thus allowing it to provide services at lower costs. By allowing Aerdorica not to increase its tariffs or finance costs, the public funding thus improves Aerdorica's market position and ability to retain or attract airlines traffic to Marche airport, as compared to those of other airport concessionaires in the internal market that finance their operations at market terms.

Services provided in different airports – especially at locations very far away one another – may be weakly or not at all substitutable for airlines carrying passenger travel. There may be no strong competition between, say an airport in Marche and an airport in Riga. Likewise, the concessionaires of airports neighbouring Marche such as Rimini or Bologna may be in actual or potential competition with Marche to the limited extent that passenger and freight airlines may consider that the locations and services provided are substitutable to some extent.

The considerations as to the extent of effective competition have to be taken into account for the assessment of the compatibility of the notified restructuring aid with the internal market (see section 3.3.6). However, they do not invalidate the conclusion that there is some degree of actual or potential competition of Marche with other airports in Italy or elsewhere in the Union which the capital injection risks distorting.

The capital injection, therefore, distorts or threatens to distort competition and affects trade between Member States.

Conclusion on the existence of aid

For the reasons set out above, the Commission concludes that the notified capital injection involves State aid within the meaning of Article 107(1) TFEU and will therefore assess lawfulness and compatibility with the internal market.

3.2 Legality of the aid

Italy notified the proposed measure as part of Aerdorica's restructuring plan. Its granting is subject to the Commission's approval of the restructuring plan, in line with Italy's obligations under Article 108(3) TFEU. The measure is therefore lawful.

3.3 Compatibility of the aid

Article 107(3)(c) TFEU provides that State aid can be authorised where it is granted to promote the development of certain economic sectors and where this aid does not adversely affect trading conditions to an extent contrary to the common interest. In application thereof, the Commission has set out the criteria it will follow in assessing restructuring aid in its R&R Guidelines.

Italy submits that the notified capital injection would be compatible with the internal market on the basis of Article 107(3) TFEU, and in particular as restructuring aid under the R&R Guidelines.

The assessment of the compatibility with the internal market must therefore, involve the examination whether the State aid meets the conditions of the R&R Guidelines for granting restructuring aid. Nonetheless, to the extent that the Aviation Guidelines also set out relevant rules and principles governing State
aid to airports in the Union, it is also appropriate that the assessment takes those principles into account.

### 3.3.1 Eligibility

**Company in difficulty**

(60) In order for an undertaking to be eligible for restructuring aid, it must qualify as an undertaking in difficulty pursuant to section 2.2 of the R&R Guidelines. In particular, point 20 of the R&R Guidelines stipulates that an undertaking is considered to be in difficulty when, without intervention by the State, it will almost certainly be condemned to going out of business in the short or medium term. This would be the case when at least one of the circumstances described in point 20 of the R&R Guidelines occurs:

(a) In the case of a limited liability company, where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital.

(…)

(c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.

(…)

(61) It follows from the information provided by the Italian authorities that Aerdorica qualifies as a firm in difficulty according to the R&R Guidelines. In effect, more than half of its subscribed share capital has disappeared as a result of accumulated losses (see recital (22)) and Aerdorica is at present subject to collective insolvency proceedings (see section 2.3).

(62) Aerdorica is, therefore, a firm in difficulty as defined in points 20 (a) and (c) of the R&R Guidelines.

(63) Point 21 of the R&R Guidelines states that a newly created firm is not eligible for rescue or restructuring aid. An undertaking will in principle be considered as newly created during the first three years following the start of operations in the relevant field of activity. Aerdorica was established more than fifty years ago on 5 February 1968 as handling company and airdrome operator at the airport Marche and has been in operation since then. Aerdorica is therefore not a newly created undertaking and, thus, is eligible to receive restructuring aid pursuant to the R&R Guidelines.

(64) Point 22 of the R&R Guidelines establishes that a firm belonging to or being taken over by a larger business group is not normally eligible for rescue or restructuring aid, except where it can be demonstrated that the firm's difficulties are intrinsic and are not the result of an arbitrary allocation of costs within the group. Aerdorica is not part of a larger group and therefore, point 22 of the R&R Guidelines is fulfilled.

(65) On the basis of the above, the Commission concludes that Aerdorica is a company in difficulty and is eligible for restructuring aid.
3.3.2 Contribution to an objective of common interest

(66) Under point 38(a) of the R&R Guidelines, in assessing whether the restructuring aid can be declared compatible with the internal market, the Commission examines whether the State aid contributes to a well-defined objective of common interest in accordance with Article 107(3) TFEU. In this respect, the Member State must provide clear evidence showing that the aid aims to prevent social hardship or address a market failure. Under point 44 of the R&R Guidelines, this can be demonstrated in particular by showing that:

(a) the unemployment rate in the Region or regions concerned (at NUTS level 2) is either (i) higher than the Union average, persistent and accompanied by difficulty in creating new employment in the Region, or regions concerned, or (ii) higher than the national average, persistent and accompanied by difficulty in creating new employment in the region(s) concerned.

(…) (d) there is a risk of interruption to the continuity of provision of an SGEI.

(67) As set out in recital (7), Aerdorica is located in the NUTS-Level 2 Marche Region. According to latest EU statistics\(^\text{16}\), unemployment in the Marche region has been continuously above the EU average over the last three years. In particular, the figures are as follows for the EU/Marche region: in 2015 9.4/10.0, in 2016 8.6/10.6, in 2017 7.6/10.6. Furthermore, Italy sets out that over the last three years (2015-2017), the number of employed people has decreased (from 625 000 to 616 000). This data is consistent with the dynamic of the business fabric in the Marche region, which shows a weak growth of the economic environment, characterised by a negative growth rate of the entrepreneurial base (-0.17 %) over the last five years\(^\text{17}\). Unemployment in the Marche region is thus persistent and accompanied with difficulty in creating new employment. The bankruptcy of Aerdorica would worsen this situation as about 100 direct jobs would be lost and would trigger negative spill over effects on the local economy (induced employment of other 150-200 people in ancillary services). Hence, the criterion laid down in point 44 a) of the R&R Guidelines is met.

(68) The Italian authorities allege that the discontinuation of the activity of Aerdorica following bankruptcy would interrupt the provision of a service of general economic interest at regional level (see recital (16)). Pursuant to the Aviation Guidelines (points 69 and 72), the overall management of an airport can be considered as an SGEI only if part of the area potentially served by the airport would, without the airport, be isolated from the rest of the Union to an extent that would prejudice its social and economic development. The Marche airport is located in central Italy and has relatively close neighbouring airports (see recital (10)). Hence, the criterion set in point 44 d) of the R&R Guidelines is not met.

\(^{16}\) EUROS\textsc{t}AT, Unemployment rate by NUTS 2 regions: \footnote{http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfst_r_ifu3rt&lang=en}

\(^{17}\) See 2017 Annual Report drawn up by the Regional Labour Market Observatory, page 28.
In view of the above, the Commission concludes that the information provided
by the Italian authorities demonstrates that the notified State aid contributes to
an objective of common interest (point 44 a) of the R&R Guidelines).

3.3.3. Need for State intervention, incentive effect and appropriateness

Need for State intervention and incentive effect

According to point 38(b) and (d) of the R&R Guidelines respectively,
restructuring aid can only be granted when there is a genuine need for it and if it
has an incentive effect. In other words, the measure must be instrumental in
reaching a goal that market forces alone could not have achieved. In line with
point 53 of the R&R Guidelines, Member States must demonstrate how the
objective of common interest pursued could not have been reached or could
have been reached only to a lesser extent in an alternative scenario without aid
(incentive effect, point 59 of the R&R Guidelines).

According to the Italian authorities, Aerdorica’s economic situation is such that,
absent the aid, the only alternative scenario is the bankruptcy of the company
causing negative consequences to the employment market in the Marche, being
already fragile as demonstrated in the recitals (67) and (69) above.

Furthermore, the bankruptcy of Aerdorica would automatically cause the
termination of the concession\(^\text{18}\). ENAC would have to launch a tender to find a
new concessionaire, causing the closure of the airport for some months/years\(^\text{19}\).
Given the importance of the Marche airport in the Marche Region, a closure of
the airport for a long period would cause damage to the connectivity in the
territory, the regional economy and to employment. As explained by the Italian
authorities (see recital (15)), it could also cause important problems to the
Marche citizens who need the emergency services which use the Marche airport
as a base for operations, for example for the transport of organs to be
transplanted.

The Italian authorities convincingly demonstrate that the restructuring aid is
indispensable to avoid the bankruptcy and liquidation of the company and that
such outcome would prevent attaining the objective of common interest, whilst
also having other negative effects on the connectivity of the Region, including
its ability to provide various health or emergency services. Hence, the
Commission concludes that the aid meets the criteria for necessity and incentive
effect set out in R&R Guidelines.

Appropriateness

In line with point 38(c) of the R&R Guidelines, among several possible
measures for reaching a set objective of common interest, Member States must
choose the one or ones that are the least damaging for competition in the internal
market. In particular, for companies in difficulty receiving restructuring aid,
Member States must choose the form of aid that is best suited for addressing the
beneficiary’s difficulties\(^\text{20}\).

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\(^{18}\) Article 14 of the ENAC convention, Paragraph 8, point c) provides that “the concessionaire’s
concession automatically ends and the agreement is terminated by law if the Concessionaire becomes
bankrupt”.

\(^{19}\) According to the Italian authorities, this period could take up to three years due to the specific
characteristics of the Ancona airport, already mentioned in recital (15).

\(^{20}\) Points 54 and 58 of the R&R Guidelines.
The share capital increase is needed to reimburse past debts of Aerdorica and it is unrealistic to consider this debt could be rolled-over and reimbursed with new debt. Capital increase is also a pre-condition for securing the interest of the new private shareholder, Njord Adreanna S.r.l., investing EUR 15 million fresh capital in order to implement the restructuring plan of the company and bring it back to long term profitability. By simultaneously reducing debt and increasing capital, the planned aid adequately strengthens Aerdorica’s solvency.

The Commission therefore concludes that the restructuring aid is appropriate.

3.3.4 Restoration of long-term viability

According to point 45 of the R&R Guidelines, a Member State wishing to grant restructuring aid must submit a restructuring plan aimed at restoring the beneficiary’s long-term viability. According to point 46 of the R&R Guidelines, the granting of the aid must be conditional on implementation of the restructuring plan which the Commission must endorse in all cases of ad hoc aid. According to point 47 of the R&R Guidelines, the restructuring plan must be as short as possible and restore the long-term viability of the beneficiary within a reasonable timescale based on realistic assumptions.

According to point 48 of the R&R Guidelines, the plan must identify the causes of the beneficiary's difficulties and outline how the proposed restructuring measures will remedy the beneficiary's underlying problems. It must also provide for a turnaround that will enable the company, after completing its restructuring, to cover all its costs including depreciation and financial charges and generate an appropriate return on capital (point 52 of the R&R Guidelines).

Aerdorica's restructuring plan, described in section 2.2, has been designed to tackle the difficulties identified by the company after a thorough assessment of the reasons for its financial difficulties (see recitals (17) to (21)) and with the purpose to make it profitable again for the shareholders. The 5-year duration between 2018 and December 2022 is not unreasonably long, given that the difficulties of Aerdorica are mainly due to mismanagement, which has led the company to undergo collective insolvency proceedings. The related legal procedural steps have slowed down the restructuring process. The active operational restructuring period will mainly take place between 2019 and 2022 (while some actions have already been initiated in late 2017, see recitals (32) and (33)), which represents four years and can be considered reasonable in view of the strategy envisaged by the new shareholder Njord Adreanna S.r.l..

The Commission has carefully reviewed the key assumptions underlying the financial forecasts of the restructuring plan notified by Italy. In particular:

i. The passenger traffic is expected to increase with an average of around [...] per year between 2018 and 2022. While ambitious, considering that the average yearly passenger growth in Marche between 2009 and 2017 was 2% and that total Italian airports passengers traffic grew 6.5% in 2017 compared to 2016, these objectives can realistically be achieved. Firstly, between 2013 and 2017, the Italian market showed a positive trend with a year-over-year passenger growth increased from 4.4% to 6.5%, with some Italian airports growing at rates comparable to the

Source: Assoeroporti

21
baseline scenario forecast for Marche. This trend is expected to continue and reach, in 2030, 170 million passengers with an average annual growth of 3.8%. In the past, passenger traffic in Marche airport also grew much faster than what is estimated for the future by 20% and 17% in 2010 and 2011 respectively. Likewise, a similarly sized airport having recently changed concessionaire and strategy managed to increase passengers up to 210 000 in a similar time span as planned by Marche. Secondly, the projections of traffic increase made by the external third party, Njord Andreanna S.r.l., support the initial plan presented to the Court of Marche and are based on concrete actions. As explained in recital (31), the growth is expected to come together from new routes [...]. This supports the plans presented to the Commission and confirms the ability of Aerdorica to sign new contracts.

ii. The [...] revenues are planned to increase [...]. The expected increase is based on [...] . The current average revenue/passenger is [...] while it is anticipated to grow [...].

iii. The cargo revenue is planned to increase by an average of [...] per year between 2018 and 2022. This growth is based on the strategic positioning of the Marche airport compared to its peers: the neighbouring airports of Rimini, Perugia and Pescara have a lack of freight transport facilities while Bologna airport is not able to expand further its freight transport offer. Furthermore, as explained in recital (13), Marche airport is already well connected to other intermodal infrastructures including the railway, the motorway, the logistics centre and the port of Ancona, which makes it attractive for freight transport. Therefore, the purpose is to transform Marche airport into a regional freight hub in the Northern Central area of Italy. The underlying growth factors [...].

(81) In accordance with point 50 of the R&R Guidelines, the Italian authorities have prepared a pessimistic scenario (see recitals (35) and (36)) on the potential development of Aerdorica’s operations. The pessimistic scenario assumes stable market share of the Marche airport in the perimeter defined by the Italian authorities (at 5% compared to an increase up to [...] in the base case scenario) and a growth of passenger traffic in line with the market as anticipated in Italy by IATA (3.8% versus an average annual growth of [...] in the base case scenario). Table 7 presents selected projected financial data under the baseline and pessimistic scenario.

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23 For instance, after a change of concessionaire and strategy, passenger traffic in the airport of Toulouse-Blagnac grew from 530 774 in January 2014 to 740 279 in December 2018. In four years, which is the time span of Aerdorica’s restructuring plan, starting from a similar base around 500 000 passengers, Toulouse-Blagnac traffic grew by 40%. Source, http://www.toulouse.aeroport.fr/societe-aeroport/actualites/resultats-de-trafic, accessed 5 February 2019.
Table 7 – Selected projected financial indicators under the baseline and pessimistic scenarios

<table>
<thead>
<tr>
<th></th>
<th>Baseline case</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>Number of passengers</td>
<td>518.030</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
</tr>
<tr>
<td>Passenger growth</td>
<td></td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
</tr>
<tr>
<td>Market share</td>
<td>5.0%</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
</tr>
<tr>
<td>Net result</td>
<td>-5.4</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
</tr>
<tr>
<td>EBITDA/passenger</td>
<td>-2.2</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
<td>[…]</td>
</tr>
<tr>
<td>Return on Equity (ROE)</td>
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</tbody>
</table>

|                          | Pessimistic scenario |                                      |                                      |                                      |                                      |
|                          | 2018          | 2019                                  | 2020                                  | 2021                                  | 2022                                  |
| Number of passengers     | 518.030       | […]                                   | […]                                   | […]                                   | […]                                   |
| Passenger growth         |               | […]                                   | […]                                   | […]                                   | […]                                   |
| Market share             | 5.0%          | […]                                   | […]                                   | […]                                   | […]                                   |
| Net result               | -5.4          | […]                                   | […]                                   | […]                                   | […]                                   |
| EBITDA/passenger         | -2.2          | […]                                   | […]                                   | […]                                   | […]                                   |
| Return on Equity (ROE)   |               |                                      |                                      |                                      |                                      |

(82) The financial restructuring measures that are planned to be implemented will clear the company of past debts, thus allowing a sustainable financial structure, no longer burdened with interest and principal repayments and capable, if necessary, to recover trust of financial markets, as evidenced by the capital investment already committed by Njord Adreanna S.r.l. In turn, this capital shall finance investment to foster a better utilisation of Marche airport’s existing capacity, attractiveness and ability to generate additional revenue, whilst keeping costs in check under the baseline and the pessimistic scenario.

(83) Owing to the combined effects of the restructuring measures, including the restructuring aid, starting from […] EBITDA/passenger in 2018, the company should turn around to reach a positive EBITDA/passenger of […] in 2022 in the base case scenario and […] in the pessimistic scenario. Both exceed the average EUR 2.17 EBITDA/passenger of the peer group airports. Under the baseline scenario, Aerodrica is able to reach a Return on Equity (“ROE”) of […] in 2022. The pessimistic scenario still allows a positive ROE of […] in 2022. In both scenarios, Aerodrica demonstrates it can generate a positive result and return on equity over the restructuring period.

(84) The Italian authorities have also presented several performance indicators of Aerodrica and have benchmarked them against the ones of the peer group airports’ average at present (Table 8). The comparison reveals that the Marche airport would be in line with the average of Marche’s market peer group.
Table 8 – Selected financial indicators in Marche versus market peers

<table>
<thead>
<tr>
<th></th>
<th>Base case scenario Marche</th>
<th>Peer group average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>End restructuring (2022)</td>
<td>Present situation</td>
</tr>
<tr>
<td>Production cost/passenger</td>
<td>[…]</td>
<td>17,37</td>
</tr>
<tr>
<td>EBITDA/passenger</td>
<td>[…]</td>
<td>2,17</td>
</tr>
<tr>
<td>Return on net invested capital</td>
<td>[…]</td>
<td>13,92%</td>
</tr>
<tr>
<td>Return on equity</td>
<td>[…]</td>
<td>8,90%</td>
</tr>
</tbody>
</table>

In view of the above, the Commission concludes that the proposed restructuring plan initiated in 2018 is a feasible, coherent and far-reaching restructuring plan. This plan includes a change of ownership control and management of Aerdorica. Such change is prone to avoid considerations of public policy having predominant influence into business operations or executive management that would compromise profit-seeking goals, whilst rendering the instances of alleged mismanagement that prompted Aerdorica’s current difficulties (recitals (17) to (21)) unlikely to occur again. The plan is furthermore capable of restoring the long-term viability of Aerdorica within the proposed restructuring period (2018-2022), the length of which is reasonable.

3.3.5 Proportionality of the aid, own contribution and burden sharing

Pursuant to points 61 to 69 of the R&R Guidelines, the amount of restructuring aid must be limited to the minimum necessary to enable restructuring to be undertaken. A sufficient level of own contribution to the cost of the restructuring and burden sharing must be ensured. The own contribution must be real and actual and should normally be comparable to the aid granted in terms of effect on the solvency or liquidity position of the beneficiary. According to point 64, the own contribution can be considered to be adequate if it amounts to more than 50% of the restructuring costs.

As mentioned and detailed in section 2.4.4, market sources provide a level of own contribution of 51.4% (EUR 26.5 million, out of total costs of EUR 51.55 million). The assessment of the various sources of own contribution is as follows.

Firstly, the EUR 15 million fresh money committed and to be invested in Aerdorica by Njord Adreanna S.r.l. is an amount free of aid and a valid own contribution. Indeed, Njord Adreanna S.r.l. is a private company, independent from the aid-granting authority and which has taken the decision to invest based on its own commercial interests, as demonstrated by its voluntary participation in the tender and its expected ROE amounting to […] expected in 2022.

Secondly, the […] resulting from optimization of internal resources of Aerdorica can be split between: (i) […] resulting from the reduction of the workers working time and from the compensation paid to those workers as described in recital (32) and (ii) […] arising from cost savings linked to the outsourcing of the handling staff service as described in recital (33). The Commission notes that these measures have already been agreed and are currently in application therefore they are considered real and actual.

Thirdly, the […]. As mentioned in point 62 of the R&R Guidelines, the form of the own contribution can consist in, for example, fresh capital, write-down of existing debts or conversion of existing debt into equity. […]. As such, if and to
the extent that the debt settlement is agreed, Aerdorica shall actually be freed from reimbursing an amount of [...] that comes as additional resource to the company.

(91) Hence, the own contribution of Aerdorica which can be considered to be real, actual and free of aid is 51.4% as presented by the Italian authorities and illustrated in Table 7.

(92) It is also apparent that the sources of own contribution, like the planned aid instrument are used to address issues of solvency and liquidity in a similar manner. The solvency is mechanically improved by the capital increase as well as by the decrease of debts while the liquidity is improved both by (1) the debt restructuring allowed by the State capital increase and (2) by Njord’s Adreanna S.r.l. capital increase compensation of the cash need generated by the new investments.

(93) The Commission concludes that the own contribution of Aerdorica exceeds 50% of the restructuring costs and satisfies points 61 to 64 of the R&R Guidelines.

(94) The Commission notes that the existing shareholders as well as creditors absorbed past losses through debt settlement and reduction of share capital (the Marche Region will only retain 20% of Aerdorica’s ownership). Therefore the Commission concludes that the burden sharing conditions detailed in points 65 to 69 of the R&R Guidelines are satisfied and that the planned aid is proportionate.

3.3.6 Avoidance of undue distortions of competition

(95) Pursuant to point 38(f) of the R&R Guidelines, when restructuring aid is granted, measures must be taken to limit distortions of competition, so that adverse effects on trading conditions are minimised as much as possible and positive effects outweigh any adverse ones.

(96) As explained further in points 87-93 of the R&R Guidelines, compensatory measures should be in proportion to the distortive effects of the aid and, in particular: (i) to the size and the nature of the aid and the conditions and circumstances under which it was granted; (ii) to the size and relative importance of the beneficiary in the market and the characteristics of the market concerned and (iii) to the extent to which moral hazard concerns remain following the application of the own contribution and burden-sharing measures. The compensatory measures may preferably be structural, preserve effective competition and should also not compromise the ability of the company to return to long-term viability after the implementation of the restructuring plan, as provided in point 92 of the R&R Guidelines, and must thus be established on a case-by-case basis.

(97) Against this background, from the date of adoption of the Commission's decision, Italy commits to Aerdorica implementing or refraining from the following:

   a) Aerdorica shall outsource the provision of ground handling services that it currently provides in-house.

   b) Aerdorica shall not increase [...] during the restructuring period, [...].

   c) Aerdorica shall not [...].
d) Aerodrica shall not acquire shares in any company during the restructuring period and shall refrain from publicising the State support as a competitive advantage when marketing its services.

e) Aerodrica shall not submit any request for operating State aid under the Aviation guidelines during the restructuring period and, for the future, if the airline was in financial difficulty, for the following ten years from the date of adoption of the decision in this case.

(98) With respect to the criteria of assessment of compensatory measures to limit the distortions of competition induced by the aid, it is appropriate to note the very small size of the beneficiary. The R&R Guidelines allow restructuring aid to large undertakings and to small and medium sized enterprises including small State-owned undertakings (point 13, footnote 11). With total headcount of 96 staff and turnover of EUR 7.2 million Aerodrica is well below the thresholds of headcount below 250 persons and turnover below EUR 50 million, that define a large undertaking and can thus be considered as a small State-owned undertaking under the R&R Guidelines.

(99) By reason of its activity as service provider operating assets under concession and in the absence of any other operations than the Marche airport, Aerodrica does not possess meaningful assets that could form a stand-alone business unit that Aerodrica could divest in implementation of a hypothetical structural measure. Accordingly, no asset divestiture would be appropriate as competition measure.

(100) With respect to the service market on which Aerodrica shall remain active, the proportion of freight or passenger traffic the Marche airport accounts for is negligible in the Union and minor in Italy. Even in a smaller geographic perimeter encompassing the four closest neighbouring airports of Perugia, Pescara, Bologna and Rimini, Marche airport represented only 5% of the total 2018 passenger traffic. If the perimeter is narrowed down to the catchment area which the Marche airport shares with the Rimini airport, it is important to note that both airports are small, the commercial services provided and respective business models do not greatly overlap at present and there are various consistent indications of relatively low substitutability (see recitals (11) to (14)). Accordingly, the degree of actual competition between Rimini and Marche airports that the restructuring aid may distort is real but limited.

(101) It follows that the assessment of the adequate calibration of the commitments provided by Italy as described in recital (97) must take into account the small size and scope of activity of Aerodrica both service-wise and area-wise.

(102) Having regard to those considerations, the commitments set out in recital 97 letters a), b) and c) adequately address and mitigate the potential effects of the aid on competition, especially in the catchment area, as follows:

- The provision of ground handling services in Marche airport by a third party provider which results from the commitment listed at recital (97) letter a) is tantamount to a structural divestiture, which also allows competitors to gain a foothold and activity on the geographic market where Aerodrica operates.

- Pursuant to the commitment listed at recital (97) letter b), Aerodrica shall, until the end of the restructuring period in December 2022, refrain from […]. Whilst this commitment does not prevent […], it provides temporary limitations […].
Likewise, pursuant to the commitment listed at recital (97) letter c), Aerdorica will not [...], the limitation in time is adequate to ensure that this measure [...].

(103) It thus appears that the compensatory measures proposed by Italy are duly calibrated. They are proportionate to the small size of Aerdorica and its importance on the geographic market on which it is active. They are adequate to address the distortions of competition therein. Consequently, the compensatory measures proposed comply with points 76-93 of the R&R Guidelines.

(104) The Commission also notes that the State aid supporting the restructuring plan and continued operation of Aerdorica does not threaten the objective contained in point 132 of the Aviation Guidelines, that all airports in the catchment area around Marche airport achieve full operating cost coverage by 2024. Indeed, Rimini airport is the only other airport in the same catchment area as Marche airport and this airport is already profitable as explained in recital (10).

(105) Finally, the competition and burden sharing measures adequately address moral hazard concerns in the present case. First, the difficulties of Aerdorica are partly due to behaviours from the previous management that are being challenged under penal law. Secondly, commercial unsecured creditors would recover only up to 15% of their claim under the proposed debt settlement, whereas the present shareholders –despite the capital injection from the Marche Region-, shall absorb past losses and have their holding in Aerdorica significantly diluted with a new private investor and shareholder holding around 77%-80% of the company shares. The planned State aid does therefore not incentivise but rather discourage behaviour of airport concessionaires in Marche or other airports that would lead in the future to reproducing financial and commercial difficulties similar to those at issue in the present case.

3.3.7 One time last time and other conditions

(106) According to point 71 of the R&R Guidelines, if a firm concerned has already received rescue or restructuring aid in the past, including any un-notified aid, and where less than 10 years have elapsed since the rescue aid was granted or the restructuring period came to an end or implementation of the restructuring plan has been halted (whichever is the latest), the Commission will not allow further rescue or restructuring aid.

(107) Italy informed the Commission that Aerdorica has not previously received any rescue aid, other than the one approved by the Commission in the decision C(2017) 3788, or restructuring aid. Therefore, the planned restructuring aid to the company complies with the "one time, last time" principle, as set out in point 70 et seq. of the R&R Guidelines.

(108) The R&R Guidelines, in principle, require Italy not to grant any further rescue or restructuring aid to Aerdorica in the next ten years. The Commission also notes that Aerdorica commits to refrain from submitting any request for operating State aid under Aviation guidelines during the restructuring period and for the future, for further ten years from the date of adoption of this decision, in case of financial difficulties of the company within the meaning of the R&R Guidelines.

(109) Furthermore, in keeping with points 94 and 96 of the R&R Guidelines, Italy has informed that Aerdorica has not benefitted from previous State aid which the Commission has declared to be illegal and which would not have been
recovered and that it plans to publish the aid granting decision and meet other transparency requirements in these websites:  www.regione.marche.it; www.rna.gov.it.

3.4 Conclusion on compatibility

(110) In light of the findings above, the Commission has concluded that the notified measure fulfils all compatibility criteria of the R&R Guidelines. The Commission therefore considers the restructuring aid to be compatible with the internal market.

(111) Moreover, the Commission recalls the beneficiary's obligation to fully implement the restructuring plan24, as well as Italy's duty to ask the Commission to agree to changes to the restructuring plan25. In addition to Italy's obligation to include the State aid at issue in the relevant annual report(s) to the Commission, Italy shall provide bi-annual reports starting six months after adoption of the present decision. The bi-annual report should record or explain, as appropriate, the implementation of the aid, the outcome of the insolvency proceedings, the implementation of the planned own contribution, the trajectories of the financial accounts of Aerdorica, any possible deviations as compared to the notified forecast and any other development with bearing on the restructuring plan26. Finally, the Commission must also be notified of any plans to grant new aid to the beneficiary during the restructuring period, even in accordance with a scheme that has already been authorised27.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the notified restructuring aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

24 R&R Guidelines, point 122.
25 R&R Guidelines, point 124.
26 R&R Guidelines, points 131 and 132.
27 R&R Guidelines, point 129.
Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission