

TRAFFIC DEVELOPMENT POLICY

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1. LEGAL DISCLAIMER

SAGAT S.p.A. is responsible for the management of Torino Airport (hereinafter, the “Airport”). Its shareholders are private investors and all of its activities are self-financed, with no access to public funding.

This Traffic Development Policy (hereinafter, also the “Policy”) is based on the following regulations:

- EU regulations, on route start-up aid (Communication from the Commission 2014/C 99/03 of 4 April 2014, on State aid to airports and airlines) in the case of use of public resources;
- national regulations, most recently approved by paragraphs 14 and 15 of Art. 13 of Decree Law no. 145 of 23 December 2013, converted, with amendments, by Law no. 9 of 21 February 2014, as amended by Art. 1(7) of Decree Law no. 104 of 10 August 2023, converted, with amendments, by Law no. 136 of 9 October 2023, containing urgent provisions to protect users, on economic and financial activities and strategic investments.

The Policy is:

- a means of regulatory compliance that does not, by virtue of its simple publication, result in an obligation for SAGAT to enter into contract and, equally, in a subjective right or a legitimate interest in the payment of incentives to air carriers operating at the Airport;
- a means of business communication serving to guarantee that the airlines have transparent access to the incentive plans of interest to SAGAT from time to time, although SAGAT itself remains free to alter or update its policy at any time and at its own discretion, in relation, for example, to evolution of market trends and/or for infrastructural or operational reasons and/or due to changes in current regulations;
- an example of cases of incentive payment schemes implemented by SAGAT, although any assessment of interest in the incentive in flight activities remains the full prerogative of SAGAT, based on its own traffic development policies and on the terms, methods, timing and parameters it considers most appropriate; SAGAT always has the full option of negotiating directly with an air carrier when there are no manifestations of interest, or when the manifestations received do not correspond with the company's objectives or do not appear to be sustainable by it.

2. FOREWORD, TARGETS AND GENERAL PRINCIPLES

2.1 In 2019, Torino Airport transported 3.95 million passengers and handled 43,655 movements. During 2020, due to the COVID-19 pandemic, airport operations shut down almost completely for several months and were significantly reduced after the return to service. Total traffic for 2020 was 1.4 million passengers, with a reduction of

64% compared to 2019. The pandemic continued into 2021, resulting in a significant reduction of traffic also during that year in comparison with the 2019 result: in 2021, Torino Airport transported 2.07 million passengers, with a loss of -47.7% in comparison with the pre-pandemic period. The impact of the Covid-19 pandemic on traffic was still having repercussions on the first three months of 2022, due to the increase in the number of contacts caused by the Omicron variant. The first signs of a recovery in traffic, typically leisure, on short- and medium-haul traffic, were seen in the summer of 2022, and continued throughout the year, resulting in the record number of 4,193,881 passengers. Performance in terms of traffic volumes was also positive in 2023: the number of passengers was 4,531,185, an increase of 8% on 2022.

However, the growth in overall volumes above the 2023 levels did not relate to all traffic segments and all carrier types: although there was significant growth in leisure traffic, served primarily by low-cost carriers and particularly in relation to incoming tourist traffic (both domestic and, to an even greater extent, foreign), the business segment, which is typically served by legacy carriers through the main European hubs, has still not returned to the pre-pandemic capacity and fullness levels.

Furthermore, the geopolitical situation, with the continuing impact of the war in Ukraine and the outbreak of the conflict between Israel and Hamas, has created a new scenario of uncertainty, such that the traffic development prospects over the coming years remained uncertain at the date when this Policy was updated.

- 2.2 In addition, Torino Airport's activities are structurally exposed to stiff competition from the nearby airports of Milano Malpensa and Bergamo Orio al Serio, as a consequence of which Torino Airport has been experiencing a severe loss of traffic from its catchment area in favour of those airports.
- 2.3 Since the Airport infrastructure has capacity for up to 7/8 million passengers, which is currently not being used in full, SAGAT needs to reach higher traffic and connectivity levels and to develop its own network of destinations, in order to make the best use of its infrastructural capacity, reducing overheads and improving profits, while simultaneously competing more efficiently with the nearby airports and limiting its loss of traffic in favour of those airports.
- 2.4 In order to do so, SAGAT has conceived this Traffic Development Policy (hereinafter, the 'Policy'), aimed at increasing the attractiveness of Torino Airport for air carriers by offering them market development incentives (hereinafter, 'MDI').
- 2.5 Transparent and non-discriminatory access to the traffic development incentives is guaranteed, in compliance with the principles of fair competition, as established by current EU and national regulations, and in line with the objectives and policies of SAGAT.

3. TRAFFIC DEVELOPMENT INCENTIVES

3.1. Definition

The MDI consist of economic compensation to be awarded to airlines who undertake to improve, develop or increase their activities at the Airport and who:

- meet the requirements of chapter 4 of the Policy, as indicated hereunder
- satisfy the conditions of one of the traffic development cases listed in chapter 5 of the Policy.

3.2. Types

The MDI are granted to the carriers in proportion or in relation to pre-established drivers or when they meet specific obligations accepted with SAGAT. For example, although the precise parameters to obtain the MDI are established case by case, they could consist of:

- an amount per passenger to be multiplied by the number of eligible passengers;
- an amount per flight (turnaround) to be multiplied by the number of eligible flights;
- an amount proportionate to the quantity of cargo carried;
- a one-off lump-sum to be paid (in advance or afterwards) to compensate the start-up costs borne by the air carrier;
- lump-sum amounts to be paid to the carrier when it reaches specific traffic targets;
- lump-sum amounts to be paid as an additional bonus, when specific obligations are met (such as on environmental aspects);
- a combination of the above methods.

3.3. Amount

The MDI are predetermined in their amount and predefined in time (usually with a decreasing trend over time in the case of long-term agreements). In the case of multi-year agreements, the MDI may be subject to periodic redetermination mechanisms based on the trend of airport charges, according to predefined mechanisms and parameters.

The amount of the MDI may vary, case by case, as a function of parameters such as: the strategic relevance of the route, the number of weekly frequencies, the type of aircraft used (also considering the environmental performance in terms of noise, fuel consumption and emissions), the expected traffic volumes, the acceptance of specific additional obligations by the air carrier in terms of service, the expected non-aviation revenues connected to the flight, etc.

The amount of the MDI must normally be determined to ensure that, considering all the types of MDI envisaged in the individual incentive plan, the average amount per departing adult passenger recognised by SAGAT does not exceed 80% of the expected average aviation revenue per departing adult passenger. Waiving of this limit may be justified for limited periods of time in the presence of programs destined for operations and business opportunities with an exceptional strategic value or, without time-limits, to support operations for which revenues of a different nature for SAGAT are expected, to an extent such as to justify the exceptional level of the amount granted. The average amount per departing adult passenger recognised by SAGAT cannot, under any circumstances, exceed 100% of the expected average aviation revenue per departing adult passenger.

3.4. Payment

The MDI will be paid on the basis of a written contract signed between the parties. MDI payment is normally made ex post, once it has been verified that the carrier has fulfilled all the conditions. In specific cases, the contract may provide – when precise conditions are met - for advance payment of the MDI, although subject to adjustment and/or refund after checking that all the conditions for final payment have effectively been met.

4. BENEFICIARIES

4.1 Access to the incentive plan according to the Policy is open to air carriers who satisfy the following minimum requirements:

- possession of a regular Air Operator's Certificate (AOC) and, where necessary, air traffic rights for the proposed destinations;
- not appear in the EU Safety list.

Access to an incentive plan according to this Policy is also open to tour operators who guarantee the purchase of allotments, sharing with the air carriers the business risk of starting and/or operating charter or scheduled connections. The provisions of this Policy that are applicable to air carriers shall be intended, where compatible, as also applicable to tour operators.

4.2 SAGAT will also have the right to assess, for purposes of admission of a carrier to an incentive plan, whether the following cases exist against that carrier, which are considered to be indicators of a lack of reliability and integrity, and will also be fully entitled to deny admission if the other party does not provide appropriate guarantees:

- serious violations of the law or of regulations, or the existence of ongoing investigations or inquiries into committing of these violations by the air carrier itself or by its legal representatives;
- serious breaches of contractual obligations with SAGAT, including those relating to payment of airport charges;
- serious breaches of airport operating and safety procedures at the Airport, including the Airport Manual and the Airport Regulations;
- existence of disputes with SAGAT or with its subsidiary or associated companies;
- an application for or admission to insolvency proceedings, even when company operations continue;
- poor financial and capital solidity

4.3 SAGAT will conduct the assessment into the carrier's reliability and integrity, for purposes of admission to an incentive plan, on a discretionary basis.

5. CASES OF MARKET DEVELOPMENT

5.1 COVID RESTART

- a) Commitment of the air carrier: an air carrier who already operated scheduled flights on a route and suspended operations/reduced capacity due to the COVID-

19 emergency and the related restrictions commits to progressively restarting the suspended operations or to progressively restoring pre-crisis levels of capacity.

- b) MDI: an economic compensation as described in chapter 3 – the amount and type of the MDI may vary according to the strategic relevance of the connection, the number of weekly frequencies, the type of aircraft, the expected traffic volumes, the expected non-aviation revenues connected to the flight.
- c) Duration of the MDI contract: normally up to two IATA traffic seasons, with SAGAT reserving the right to enter into lengthier agreements, due to the expected times to recover capacity.
- d) Other conditions: the awarding of an MDI might not be subject to operation of a minimum number of connections or frequencies.

5.2 NEW SCHEDULED OR CHARTER CONNECTIONS

- a) Commitment of the air carrier: regularly operate on a route not being served by the same carrier or by another carrier with direct scheduled or charter flights or on a route for which the 'incumbent' carrier has announced cancellation of its operations. A route served by the same air carrier or by other carriers only with seasonal connections could be considered as not served, for application of this case, if SAGAT believes there is an interest in deseasonalisation of the route.
- b) MDI: an economic compensation as described in chapter 3 – the amount and type of the MDI may vary according to the estimated potential and strategic relevance of the connection, the number of weekly frequencies, the number and type of connecting flights at the airport of destination, the type of aircraft, the expected traffic volumes, the expected non-aviation revenues connected to the flight.
- c) Duration of the MDI contract: normally up to 5 (five) years, with SAGAT reserving the right to enter into lengthier agreements, due to the features of the connection.
- d) Other conditions: SAGAT may ask the carrier to commit to operations for a minimum period of time (e.g. 12 months, one IATA season, etc.).
- e) Priority destinations: the table below lists some destinations considered to be a priority for development of Torino Airport. The applicant air carrier may, in any case, propose other destinations; SAGAT will assess the potential of the proposed route, both in terms of potential passenger traffic and in terms of profitability, and may decide to add it to the list of priority destinations.

Areas	Destinations	Countries	IATA Codes
Africa	Sharm el-Sheikh	Egypt	SSH
	Cairo	Egypt	CAI
	Tunis	Tunisia	TUN
Middle East	Istanbul	Turkey	IST
	Doha	Qatar	DIA
	Abu Dhabi	UAE	AUH
	Dubai	UAE	DXB
Europe	Vienna	Austria	VIE
	Brussels	Belgium	BRU
	Tallin	Estonia	TLL
	Helsinki	Finland	HEL
	Stuttgart	Germany	STR
	Düsseldorf	Germany	DUS
	Hamburg	Germany	HAM
	Berlin	Germany	BER
	Budapest	Hungary	BUD
	Riga	Latvia	RIX
	Luxembourg	Luxembourg	LUX
	Rotterdam	Netherlands	RTM
	Eindhoven	Netherlands	EIN
	Oslo	Norway	OSL
	Warsaw	Poland	WAW
	Lisbon	Portugal	LIS
	Belgrade	Serbia	BEG
	Bratislava	Slovakia	BTS
	Bilbao	Spain	BIO
	London Heathrow	UK	LHR
Bristol	UK	BRS	
Birmingham	UK	BHX	
Glasgow	UK	GLA	
Manchester	UK	MAN	
Italy	Comiso	Italy	CIY
	Reggio Calabria	Italy	REG
	Crotone	Italy	CRV

5.3 DEVELOPMENT OR IMPROVEMENT OF AN EXISTING SCHEDULED CONNECTION

5.3.1 DEVELOPMENT DUE TO A NEW ENTRANT

- a) Commitment of the air carrier: a new carrier commits to operating regularly on a route already served by another carrier.

- b) MDI: an economic compensation as described in chapter 3 – the amount and type of the MDI may vary according to the strategic relevance of the connection, the number of weekly frequencies, the number and type of connecting flights at the airport of destination, the level of saturation of the specific market, the type of aircraft, the expected traffic volumes, the expected non-aviation revenues connected to the flight.
- c) Duration of the MDI contract: normally up to 5 (five) years, with SAGAT reserving the right to enter into lengthier agreements, due to the unusual features of the connection.
- d) Other conditions: SAGAT may ask the carrier to commit to operations for a minimum period of time (e.g. 12 months, one IATA season, etc.).

5.3.2 DEVELOPMENT DUE TO AN INCREASE OF THE NUMBER OF FREQUENCIES OR AN INCREASE OF CAPACITY

- a) Commitment of the air carrier: an air carrier already operating scheduled flights on a given route commits (i) to operating at least one additional weekly scheduled frequency on the same route, as compared with the same IATA season of the previous year, OR (ii) appreciably to increase the number of seats offered on the same route, as compared with the same IATA season of the previous year, as a consequence of a change in aircraft.
- b) MDI: an economic compensation as described in chapter 3 – the amount and type of the MDI may vary according to the strategic relevance of the connection, the number of additional weekly frequencies proposed, the type of aircraft proposed, the expected additional traffic volumes, the number and type of additional connections with the airport of destination, the level of saturation of the specific market, the expected non-aviation revenues connected to the flight.
- c) Duration of the MDI contract: normally up to 5 (five) years, with SAGAT reserving the right to enter into lengthier agreements, due to the unusual features of the connection.
- d) Other conditions: SAGAT may ask the carrier to commit to an increase of frequencies or capacity for a minimum period of time (e.g. 12 months, one IATA season, etc.).

5.4 INCREASE IN PASSENGER VOLUMES

- a) Commitment of the air carrier: an air carrier, either new or already operating at the airport, commits to developing at the Airport, in a specific period of time, a network of destinations (either with or without based aircraft) able to determine a

significant and swift increase of passenger volume and to maximise the use of Torino Airport infrastructure.

- b) MDI: an economic compensation as described in chapter 3 – the amount and type of the MDI may vary according to the proposed volumes. In the case of based aircraft, the agreement could envisage specific MDI in relation to the number and type of based aircraft and also other forms of operational and business support, in consideration of the ensuing benefits in operational, economic and employment terms of the based aircraft on the Airport and on the territory.
- c) Duration of the MDI contract: normally up to 5 (five) years, with SAGAT reserving the right to enter into lengthier agreements, due to agreements that result in particularly significant increases in volumes.
- d) Other conditions: payment of the MDI can depend on the achievement by the air carrier of predetermined traffic thresholds in each year/season of the contract.

5.5 PRODUCT IMPROVEMENT

- a) Commitment of the air carrier: an air carrier, either new or already operating at the airport, commits to operating on a served route with an improvement of the service provided to passengers, for instance scheduling the flights at a more convenient time or conditions for users (e.g. TRN-LON route, first flight out operated early morning with a late evening return leg and aircraft in night stop, thus allowing a return trip on the same day of departure for business passengers).
- b) MDI: an economic compensation as described in chapter 3 – the amount and type of the MDI may vary according to the nature and strategic relevance of the proposed improvement, also considering the number and type of additional connections with the airport of destination.
- c) Duration of the MDI contract: normally up to 5 (five) years, with SAGAT reserving the right to enter into lengthier agreements, due to the peculiarities of the connection.

5.6 MAINTAINING OF A CRITICAL CONNECTION

- a) Commitment of the air carrier: a carrier who already operates one or more connections at the Airport and who declares the justified intention of cancelling/reducing the connection, due to unsatisfactory business results or capacity/technical problems (critical connection), commits to maintaining the critical connection(s).
- b) MDI: an economic compensation as described in chapter 3 – the amount and type of the MDI may vary according to the strategic relevance of the connection,

the number of weekly frequencies, the type of aircraft, the expected traffic volumes, the number and type of connecting flights at the airport of destination, the expected non-aviation revenues to be achieved by maintaining the flight or the lower revenues resulting from cancellation/reduction.

- c) Duration of the MDI contract: normally up to 5 (five) years, with SAGAT reserving the right to enter into lengthier agreements, due to particularly strategic and/or significant improvements.

6. INCENTIVE PLAN ADMISSION METHODS

- 6.1 Air carriers who are interested in improving, developing or increasing their activities at the Airport and developing new routes at Torino Airport and who want access to the MDI amounts can send an application via e-mail to the SAGAT aviation business office (aviationbusiness@sagat.trn.it).
- 6.2 The following information must be specified in the application:
- a) carrier, fleet, network and operating bases;
 - b) the routes on which the carrier intends to operate;
 - c) planned operations (period of operation, number of weekly frequencies, type of aircraft);
- 6.3 SAGAT reserves the right to ask the carrier to provide further information or to conduct its own analysis, in order to check whether the requirements of chapter 4 of the Policy are met.
- 6.4 If the result of the check is successful, SAGAT will start business negotiations with the applicant carrier to establish the contents of an MDI contract, although SAGAT retains the right not to sign any agreement if it decides the requirements of this Policy are not satisfied.
- 6.5 In the case of several carriers who have applied for amounts for the same route, and after their reliability and financial solidity has been confirmed, SAGAT reserves the right to conduct parallel negotiations, and retains the right, in all cases, at its own discretion and based on the criteria of this Policy, to choose one or more carriers to sign MDI contracts.

7. INCENTIVE AGREEMENT

- 7.1 If negotiations conducted in the forms of the previous chapter are successfully concluded, the Parties will sign an incentive agreement, entered into in writing and drafted on the basis of the SAGAT contractual standards, which will detail, among other things:
- the duration of the agreement, with the possibility for the Parties of agreeing on an extended expiry date;
 - the type/types of incentive envisaged, from among those of paragraph 3.2 above;

- the respective obligations of the parties;
- the targets and parameters for effectively determining the applicable incentive;
- the times, conditions and methods for disbursement of the MDI.

7.2 Up until the moment when the incentive agreement is formalised in writing, the carrier will not be entitled to receive the incentives, and the exchange of business correspondence during the negotiations will not constitute proof of entry into the agreement.

7.3 The contents of an incentive agreement are confidential and cannot be communicated or disclosed, other than to satisfy a legal obligation.

8. EFFICACY OF THE POLICY

The Policy has been drafted and published in Italian and in English, with it being understood that the Italian version will prevail in the event of discrepancies.

The Policy enters into effect from the date of its publication on the SAGAT website. It will continue to be effective up until the publication of an update or of a new Policy with the same methods.

In the case of an update or publication of a new Policy, the incentive agreements signed on the basis of previous Policies will remain in force, under the agreed terms and conditions, until their natural expiry date.

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