

TRAFFIC DEVELOPMENT POLICY 2017

1. FOREWORD, TARGET AND GENERAL PRINCIPLES

- 1.1 SAGAT S.p.A. is responsible for the management of Torino Airport. The large majority of its shareholders (74%) are private investors and all of its activities are self financed with no access to public funding.
- 1.2 In 2016 Torino Airport transported 3,95 million passengers and handled 46.500 movements.
- 1.3 Torino Airport's activities are exposed to a sizeable competition from nearby airports of Milano Malpensa and Bergamo Orio al Serio and the Airport has been experiencing a severe leakage of passengers from its catchment area in favour of those airports.
- 1.4 SAGAT therefore needs to enhance its network of destinations and increase its connectivity in order to recover the most of the passenger traffic leaked to nearby airports, thus allocating more efficiently its capacity.
- 1.5 In order to do so, SAGAT has conceived a Traffic Development Policy (TDP), aimed at increasing the attractiveness of Torino Airport towards air carriers by offering them market development incentives (MDI). The Guidelines of Torino Airport TDP are hereafter exposed.
- 1.6 The access to market development incentives is granted in a transparent, fair and non discriminatory manner.

2. TERMS OF APPLICATION

- 2.1 MDI are provided to air carriers willing to commit to develop and increase their activities on Torino Airport, fulfilling the conditions of one of the cases of market development listed in paragraph 4 of this TDP.
- 2.2 MDI consist of an economic compensation to be awarded to airlines as a consideration for incremental traffic. As an example, MDI may consist of:
 - an amount to be multiplied by the number of eligible passengers transported by the carrier (parameters of eligibility may vary case by case); or
 - one off lump sums to be paid in advance to compensate start up costs born by the air carrier; or
 - lump sums to be paid to the air carrier when it reaches thresholds of passengers transported; or
 - a combination of the above or other forms of economic compensation.
- 2.3 The amount of the MDI may vary according to the strategic relevance of the connection, the number of weekly frequencies, the type of aircraft used, the

expected total traffic volume, the expected non-aviation revenues connected to the flight.

- 2.4 MDI are predetermined in their amount and predefined in time and their payment is made ex post, once SAGAT has verified that all commitments have been fulfilled by the air carrier.
- 2.5 MDI will be paid on the basis of a written contract signed by both parties. SAGAT reserves the right to extend the duration of an MDI contract.
- 2.6 The payment of MDI is normally subject to:
 - operation of a minimum number of flights on the eligible routes during the term of the contract;
 - punctual and regular payments of current regulated charges.

3. ACCESS TO AN MDI CONTRACT

- 3.1 Air carriers interested in developing new operations on Torino Airport and wishing to access to an MDI Program, can submit an application by e-mail to SAGAT's Commercial Aviation Department (aviationbusiness@sagat.trn.it).
- 3.2 The application must specify all possible details concerning:
 - a) the air carrier, its fleet, its network and its bases of operation;
 - b) the destinations the air carrier is willing to operate;
 - c) the expected schedule (period of operations, number of weekly frequencies, aircrafts used).
- 3.3 SAGAT reserves the right to ask the air carrier to provide further information or to conduct autonomous investigations in order to assess the reliability and financial solidity of the applicant air carrier.
- 3.4 In case the outcome of the assessment of the air carrier's reliability and financial solidity is positive, SAGAT will enter into a negotiation with the applicant air carrier to define the contents of an MDI Contract provided that SAGAT will have the right, at its own discretion, to decide whether or not to subscribe the contract.
- 3.5 In case more than one air carrier has submitted an application for the same destination and has been assessed to be reliable and financially solid, SAGAT reserves the right to conduct parallel negotiations, provided that SAGAT will have the right, at its own discretion, to select one or more air carriers for the subscription of MDI Contracts.

4. CASES OF MARKET DEVELOPMENT

4.1 NEW SCHEDULED ROUTES

- a) Commitment of the air carrier: operate at least one weekly scheduled rotation on a route not being served by the same carrier or by another carrier with direct scheduled flights or on a route for which the incumbent carrier has announced the cancellation of its operations.

- a) **MDI**: an economic compensation as per 2.2 - the amount of the MDI may vary according to the strategic relevance of the connection, the number of weekly frequencies, the type of aircraft used, the expected total traffic volume, the expected non-aviation revenues connected to the flight.
- b) **Duration of the MDI contract**: up to 5 (five) years. SAGAT reserves the right to extend the duration.
- c) **Other conditions**: the Carrier may be asked to commit to operations for a minimum period of time (eg. 12 months, 1 traffic season, etc.).
- d) **Priority destinations**: chart n. 1 below lists some destinations considered to be a priority for the 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 passengers traffic and in terms of profitability and decide to add it to the

| Areas | Destinations | Countries | IATA Codes |
|----------------|---------------------|------------------|-------------------|
| Africa | Marrakesh | Morocco | RAK |
| | Tunis | Tunisia | TUN |
| Middle East | Tel Aviv | Israel | TLV |
| | Abu Dhabi | UAE | AUH |
| | Dubai | UAE | DXB |
| Europe | Paris-Orly | France | ORY |
| | Stuttgart | Germany | STR |
| | Düsseldorf | Germany | DUS |
| | Hamburg | Germany | HAM |
| | Prague | Czech Republic | PRG |
| | Budapest | Hungary | BUD |
| | Dublin | Ireland | DUB |
| | Glasgow | Ireland | GLA |
| | Warsaw | Poland | WAW |
| | Krakow | Poland | KRK |
| | Geneva | Switzerland | GVA |
| | London Heathrow | UK | LHR |
| | Bristol | UK | BRS |
| | Birmingham | UK | BHX |
| | Manchester | UK | MAN |
| | Belgrade | Serbia | BEG |
| | Stockholm | Sweden | ARN NYO |
| Oslo | Norway | OSL | |
| Vienna | Austria | VIE | |
| Moscow | Russia | SVO VKO | |
| St. Petersburg | Russia | LED | |
| Italy | Venice | | VCE |
| | Trieste | | TRS |
| | Comiso | | CIY |
| | Ancona | | AOI |

4.2 IMPROVEMENT OF THE PERFORMANCE ON AN EXISTING SCHEDULED ROUTE

4.2.1 IMPROVEMENT DUE TO A NEW ENTRANT

- a) Commitment of the air carrier: a new Carrier commits to operating at least one weekly scheduled rotation on a route already served by another carrier.
- b) MDI: an economic compensation as per 2.2 - the amount of the MDI may vary according to the strategic relevance of the connection, the number of weekly frequencies, the type of aircraft used, the expected total traffic volume, the expected non-aviation revenues connected to the flight.
- c) Duration of the MDI contract: up to 5 (five) years. SAGAT reserves the right to extend the duration.
- d) Other conditions: the Carrier may be asked to commit to operations for a minimum period of time (eg. 12 months, 1 traffic season, etc.).

4.2.2 IMPROVEMENT DUE TO INCREASE OF NUMBER OF FREQUENCIES OR INCREASE OF CAPACITY

- a) Commitment of the air carrier: an air carrier already operating scheduled flight on a route commits (i) to operating at least one additional weekly scheduled rotation on the same route as compared with the same IATA season of the previous year OR (ii) to increase the amount of seats offered on the same route as compared with the same IATA season of the previous year by at least 30% as a consequence of aircraft change.
- b) MDI: an economic compensation as per 2.2 - the amount of the MDI may vary according to the strategic relevance of the connection, the number of weekly frequencies, the type of aircraft used, the expected total traffic volume, the expected non-aviation revenues connected to the flight.
- c) Duration of the MDI contract: up to 5 (five) years. SAGAT reserves the right to extend the duration.
- d) Other conditions: the Carrier may be asked to commit to the increase of frequencies or capacity for a minimum period of time (eg. 12 months, 1 traffic season, etc.).

4.3 HIGH PASSENGER VOLUMES

- a) Commitment of the air carrier: an air carrier, either new or already operating on the airport, commits to developing on Torino Airport, in a

short lapse of time, a network of destinations (either with or without based aircrafts) able to determine a significant and swift increase of passenger volume and to maximise the use of Torino Airport infrastructure the air carrier also commits to furtherly increasing that network in the following years according to a development scheme included in the contract.

- b) MDI: a tailored MDI scheme will be negotiated which may include a combination of economic compensation as per §2.2 and operational support.
- c) Duration of the MDI contract: up to 10 (ten) years. SAGAT reserves the right to extend the duration.
- d) Other conditions: the payment of the MDI can depend on the achievement by the air carrier of predetermined traffic thresholds in each year/season of contract.

4.4 KEY DESTINATIONS

A. DETROIT

Based on the estimates and projections of traffic potential and on the feedbacks received by users of the airport and by corporate based in the catchment area, SAGAT considers that a direct connection Torino – Detroit would be a perfect eminent addition to its network.

A great deal of direct business passenger traffic would be guaranteed by the presence both in Torino and in Detroit of relevant corporate in the automotive sector, mainly FCA group which is established both in Torino and in Detroit.

Besides Detroit serves as one of the main hubs for Skyteam Alliance and Delta Airlines in the Midwestern United States and could provide passengers from Torino with several connecting flights to most destinations in North and Central America.

For air carriers willing to commit to operating regular scheduled rotations on the Torino Detroit route SAGAT is available to tailor an ad hoc MDI scheme which may include a combination of economic compensation as per §2.2 and operational support.

B. LONDON CITY

London City Airport is still considered as the most efficient gateway to London for those travelling for business purposes.

Its congestion problems and the severe shortage of available slots turned it into a prestigious and ‘elite’ airport that would perfectly fit in the network of destinations of Torino Airport, given its consistent share of business traffic.

For air carriers willing to commit to operating regular scheduled rotations on the London City route SAGAT is available to tailor an ad

hoc MDI scheme which may include a combination of economic compensation as per §2.2 and operational support.

For further information or clarifications, please contact SAGAT's Commercial Aviation Department.

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Caselle, 31th May 2017.