

TRAFFIC DEVELOPMENT POLICY 2020

1. FOREWORD, TARGET AND GENERAL PRINCIPLES

- 1.1 SAGAT S.p.A. is responsible for the management of Torino Airport. Its shareholders are private investors and all of its activities are self-financed with no access to public funding.
- 1.2 In 2019 Torino Airport transported 3,95 million passengers and handled 43,655 movements. During year 2020, due to the COVID-19 pandemic, airport operations have been almost shut down for several months and significantly reduced after return to service. As of now the future scenarios and the timing for a recovery to pre-crisis traffic levels are uncertain.
- 1.3 SAGAT therefore needs to quickly restore pre-crisis levels of traffic and connectivity as well as enhance its network of destinations in order to allocate more efficiently its capacity.
- 1.4 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.
- 1.5 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
 - an amount (per flight or per passenger) corresponding to a rebate of all or part of the airport charges; or
 - one-off lump sums to be paid in advance to compensate start-up costs borne 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 (also considering the environmental performance in terms of noise, fuel consumption and emissions), 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 (normally decreasing year on year) 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

4.0 COVID RESTART

- a) Commitment of the air carrier: an air carrier who already operated scheduled flights on a route and suspended operations due to 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 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 2 (two) IATA Traffic Seasons. SAGAT reserves the right to extend the duration for an additional Traffic Seasons in case restrictions and difficulties persist.
- d) Other conditions: the awarding of an MDI may as well not be subject to operation of a minimum number of flights on the eligible routes during the term of the contract;

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.
- 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.).
- e) 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 list of priority destinations.

Areas	Destinations	Countries	IATA Codes
Africa	Tunis	Tunisia	TUN
	Cairo	Egypt	CAI
Middle East	Istanbul	Turkey	IST
	Tel Aviv	Israel	TLV
	Abu Dhabi	UAE	AUH
	Dubai	UAE	DXB
Europe	Brussels	Belgium	BRU
	Athens	Greece	ATH
	Stuttgart	Germany	STR
	Düsseldorf	Germany	DUS
	Hamburg	Germany	HAM
	Prague	Czech Republic	PRG
	Budapest	Hungary	BUD
	Dublin	Ireland	DUB
	Warsaw	Poland	WAW
	Lisbon	Portugal	LIS
	London Heathrow	UK	LHR
	London Luton	UK	LTN
	Bristol	UK	BRS
	Birmingham	UK	BHX
	Manchester	UK	MAN
Glasgow	UK	GLA	
Belgrade	Serbia	BEG	
Oslo	Norway	OSL	
Stockholm	Sweden	ARN NYO BMA	
Vienna	Austria	VIE	
Moscow	Russia	SVO VKO	
St. Petersburg	Russia	LED	
Malaga	Spain	AGP	
Seville	Spain	SVQ	
Italy	Pescara	Italy	PSR
	Comiso	Italy	CIY
	Reggio Calabria	Italy	REG
	Crotone	Italy	CRV

4.2 IMPROVEMENT OF THE PERFORMANCE ON AN EXISTING SCHEDULED ROUTE

4.2.2 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.).

4.2.3 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 5 (five) 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 PRODUCT IMPROVEMENT

- a) Commitment of the air carrier: an air carrier, either new or already operating on 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 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 passengers a return trip on the same day of departure, ideal for business passengers).
- 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.

*For further information or clarifications, please contact SAGAT's Passenger and Cargo Traffic Development Department.
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Caselle, 11th November 2020.