

Commercial Policy of
Network Development
for the Tuscany Airport System
(Pisa and Florence Airports)

1. Introduction

Toscana Aeroporti S.p.A. - the management company of Pisa and Florence airports – is the company resulting from the merger between SAT S.p.A. and AdF S.p.A, managing respectively the concessions for “G.Galilei” Pisa Airport and “A. Vespucci” Florence Airport. The merger process, started in 2014, was finalised on and effective from the 1st of June 2015.

Toscana Aeroporti S.p.A. is a mainly private capital company, listed on the Italian stock exchange, with exclusive and special rights such as the ENAC airport concessions for managing the two airports.

The main objective for Toscana Aeroporti S.p.A., with the scope of its own managing activity and development of the Tuscany Airport System, is to stimulate passenger and cargo airline traffic development at Pisa (PSA-Galileo Galilei) and Florence (FLR-Amerigo Vespucci) airports, according to the characteristics of the Tuscany market and its airports infrastructures, and also to increase the number of scheduled connections to and from the airports. This is with the aim of supporting the consolidation and development of the airline traffic, contributing to the economic development of the management company and satisfying the catchment area's demand for improved accessibility.

To this end, Toscana Aeroporti S.p.A. aims to reach the aforementioned objectives with proper actions based on an incentive system (contribution). These contributions will vary according to the services offered by the carriers at the airport, and in consideration of the strategic relevance of those services for the airport in question and for its catchment area considered the entrepreneurial free initiative. This purpose is particularly relevant in the current context of continuous change and evolution as a result of the crisis in the global macroeconomic system, which requires the introduction of stimulating measures to rebuild pre-Covida traffic levels, recover the growth gap and resume a steady evolution of air traffic to/from Tuscan airports.

The current Commercial Policy supersedes any previous incentive program starting from the publication date on Toscana Aeroporti web-site. Toscana Aeroporti S.p.a. reserves the right to rectify this Commercial Policy at any time and at its own discretion.

2. Objectives and benefits

Toscana Aeroporti S.p.A. has defined the following Commercial Policy of incentive for its Network Development for Pisa and Florence airports, guaranteeing an equal opportunity to all carriers who intend to participate in a transparent and non-discriminatory way.

This current policy will be applied coherently with the strategic priorities of the Tuscany Airport System, in order to:

- rebuilt / recover traffic,
- develop intercontinental/long-haul connectivity with direct flights,

- increase European and non-European point-to-point connections (both in terms of new routes and in increase of frequency/capacity on existing routes),
- reduce the seasonality of the existing services and redistribute traffic flows to off-peak time,
- develop new air cargo traffic volumes,
- consolidate the overall passenger traffic volume,
- consolidate the overall air cargo traffic volume.

3. Terms of Application

3.1 Parameters for determining the contribution

The amount of the contribution will be proportional to the number of passengers transported (paying departing passengers only) , and /or the number of flights and/or the capacity offered, or kg of air cargo (excluding road cargo feeder services), transported (excluding transit air cargo and not paying cargo) and it is subject to the carrier's achievement of the targets previously agreed upon a specific contract. The amount will depend on:

- volume of generated traffic,
- type of destination (European/non-European),
- strategic relevance of the destination,
- number of frequencies of the route,
- type of aircraft used and its capacity offered
- operational period (seasonal or year-round),
- scheduling of the operation (peak/off-peak),
- airline's commercial strength in the market.

Toscana Aeroporti S.p.A, in relation to the incentive programme in line with the concept of free entrepreneurship reserves the right to evaluate and offer further types of incentives and co-marketing – e.g. additional contributions (one-off) in favour of airlines/operators committed to invest in Tuscany's airports with routes considered particularly strategic for the Tuscany Airport System.

The duration of the agreement could vary from a minimum of a single IATA season to a maximum of 7 years in consideration of the strategic evaluation of the operation.

3.2 Evaluation criteria for contribution

This current policy will be applicable to the airlines committed to implement strategies for the development and growth of airlines activities at Pisa and/or Florence airports, to achieve the objectives outlined in paragraph 2.

These strategies, defined within airlines' development business plans, include:

- a) the opening of new destinations / operations of strategic value,
- b) the increase of operations on existing destinations, currently under-served according to Toscana Aeroporti S.p.A.'s assessment,
- c) consolidation and /or long-term development plans for passenger and/or cargo relevant traffic volumes.

Specifically:

a) the launch of new routes/operations of strategic relevance

- refers to a destination not already served by a scheduled carrier, a new operational base of a scheduled airline for point-to point routes and/or new scheduled all-cargo operation,
- the amount of the contribution will be determined according to the parameters in paragraph 3.1, with particular reference to the strategic relevance of the route/operation,
- the duration of the incentive is variable and can be extended up to 5 years.

b) the increase of operations on existing routes considered strategic by Toscana Aeroporti S.p.A.

- refers to a destination already operated by a scheduled carrier, which plans for a significant increase (in terms of additional frequencies and/or capacity offered) over the previous IATA season, or the opening of the same existing destination by another scheduled carrier,
- potential destinations already operated by a carrier, where the carrier plans to increase the frequencies or the operations, can be entitled to the same incentives as for the opening of new destination,
- the amount of the contribution will be determined according to the parameters in paragraph 3.1,
- the duration of the incentive is variable and can be extended up to 3 years.

c) consolidating and/or long-term development plans

- refer to agreements with carriers that already operate at the airport and that will be able to share long term traffic development plans, per single airport, characterized by point to point traffic, highlighting their capacity to contribute to the effective increase of volumes and network extendiveness (direct connectivity) of the airport, foreseeing a long-term consolidation / development of their presence for at least 3 years:

- ✓ a passengers traffic of:

a) for Florence airport (FLR), over 550.000 arriving and departing passengers) on a yearly basis with a network of at least 6 destinations, to be agreed upon with Toscana Aeroporti S.p.A., served with direct air scheduled services;

b) for Pisa airport (PSA), over 2.000.000 arriving and departing passengers on a yearly basis with a network of at least 15 destinations, to be agreed upon with Toscana Aeroporti S.p.A., of served with direct air scheduled services;

✓ a cargo traffic, limited to Pisa Airport, with over 5 million kg of air cargo (total: import and export- excluding transit) for scheduled operations on a yearly basis,

- the amount of the contribution will be determined according to the parameters indicated in paragraph 3.1,

- the duration of the incentive can be at the most 7 years.

4. Presenting development business plans

Carriers interested in this incentive programme are invited to send their development plans via e-mail to their contacts of Toscana Aeroporti S.p.A. Commercial Aviation Department or to aviation@toscana-aeroporti.com.

The development plan must include – by way of example but not limited to – the destination, the start-up data, the number of frequencies scheduled, the type of aircraft (as indicated in paragraph 3.1) and any other information considered significant by the carrier for the Toscana Aeroporti S.p.A.'s assessment.

Toscana Aeroporti S.p.A will assess the plans, selecting the carriers which have presented proposals most suited to the achievement of this incentive policy's objectives. This selection process refers to the free entrepreneurial initiative of Toscana Aeroporti S.p.A., according to the assessment based on the parameters of paragraph 3.1.

In the event that more than one carrier expresses interest in the same route, Toscana Aeroporti S.p.A. reserves the right to admit more than one carrier to this policy if Toscana Aeroporti S.p.A. considers the route to be a strategically relevant one, and the amount of the incentive will vary according to the services outlined in the proposed programme (see paragraph 3.1).

Should Toscana Aeroporti S.p.A. not receive any expressions of interest or should the expressions of interest not correspond to the objectives outlined in this policy, Toscana Aeroporti S.p.A. reserves the right to negotiate directly with any other carrier.

5. Requirements to adhere to the programme

To be eligible for this policy, carriers must:

- possess all the requirements to carry out scheduled aviation activities, with all relevant certifications from the competent authorities, including traffic right where applicable,

- not to have breached any contract (both previously or currently) with Toscana Aeroporti S.p.A..

6. Conditions for receiving the contribution

Any marketing contribution under this policy will be paid subject to:

- the signature by both parties of a confidential agreement that defines the obligations of the carrier in terms of traffic targets,
- prorated or in a one solution postponed ex-post to the achievement of all traffic targets set or all terms and conditions set in the agreement and subject to the all the conditions specified,
- the regular payment of all the invoices issued by Toscana Aeroporti S.p.A., related to the use of Pisa and/or Florence airports.

The current policy is both in Italian and English; in case of any differences between the two versions, the italian version will prevail.