



Toscana
Aeroporti
Insieme, si vola.

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

Florence, January 2017

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.

The main objective for Toscana Aeroporti S.p.A. 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 airport 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 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. implements an incentive programme based on marketing contributions. 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 both for the airport in question and for its catchment area.

The current Commercial Policy supersedes any previous incentive program starting from the publication 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, giving an equal opportunity to all carriers who intend to participate in a transparent and non-discriminatory way.

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

- develop intercontinental/long-haul connectivity by means of direct flights,
- increase European and non-European point-to-point connections (both in number of new routes and in increasing 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 departing passengers (paying departing passengers only) or kg of air cargo (excluding road cargo feeder service, 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 depends on:

- volume of generated traffic,
- type of destination (European/non-European),
- strategic relevance of the route,
- number of frequencies of the route,
- type of aircraft used,
- operational period (seasonal or year-round),
- scheduling (peak/off-peak),
- airline's commercial strength in the market (with a view to its market stimulation ability).

Besides, Toscana Aeroporti S.p.A reserves the right to evaluate and make available other types of incentives in favour of airlines committed to invest in Tuscany's airports, providing routes considered highly strategic for the Tuscany Airport System.

The duration of the agreement varies from a minimum of 1 year to a maximum of 5 years in consideration of the strategic evaluation of the operation.

3.2 Evaluation criteria for contributions

This policy is applicable to airlines committed to strategies for the development and growth of scheduled operations 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 routes of strategic relevance,
- b) the increase of operations on existing routes, currently under-served according to Toscana Aeroporti S.p.A.'s assessment,
- c) long-term development plans for passenger and/or cargo traffic volumes.

Specifically:

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

- refers to a route not already operated by a scheduled carrier,
- 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 incentives will be up to 3 years, extendible up to 5 years.

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

- refers to a route 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 route by another scheduled carrier,
- existing routes already operated by a carrier but exclusively on a seasonal basis, where the carrier plans to extend the service on a year-round basis can be entitled to the same incentives as for the opening of new routes,
- the amount of the contribution will be determined according to the parameters in paragraph 3.1, and applied to incremental traffic only,
- the duration of the incentive will be 1 year, extendible up to 3 years.

c) long-term development plans

- refer to agreements with carriers that guarantee, per single airport, for at least 3 years:
 - ✓ a passengers traffic of:
 - a) for Florence airport (FLR), over 550.000 passengers (total: arriving and departing) on a yearly basis with a network of at least 10 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 passengers (total: arriving and departing) 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) for scheduled operations on an yearly basis,
- the amount of the contribution will be determined according to the parameters indicated in paragraph 3.1,
- the duration of the incentive will be between 3 and 5 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 route, the start-up data, the number of frequencies, 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 granted subject to:

- the signature by both parties of an agreement defining the obligations of the carrier in terms of traffic targets,
- the achievement of all traffic targets set in the contract agreement, according to all terms and conditions set therein,
- the regular payment of all invoices for airport charges, fees and services, including those invoices not issued directly by Toscana Aeroporti S.p.A., related to the use of Pisa and/or Florence airports.

