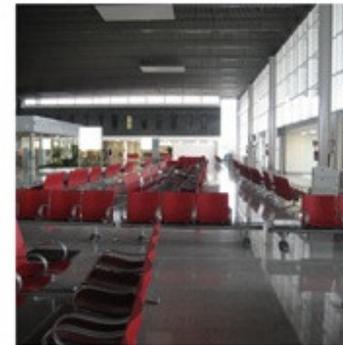




Catania Airport

Commercial *Aviation Policy* 2017

October 2017



Commercial Policy – Guidelines

AIM

This policy aims at increasing traffic (both on international connections and domestic destinations not served) at Catania Fontanarossa Airport, through an incentive model that pursues this object in a transparent and non-discriminatory way, optimizing the use of airport infrastructures too. The traffic development plan has been prepared in accordance with objective criteria and equity in order to not create distortion on market. The plan is mainly scheduled flight-oriented and has a minimum temporal objective defined. In order to develop new routes and increase the number of flights on the existing ones, SAC is willing to support the new routes, including the intercontinental long-haul ones, taking into account the type of aircraft used and the existing infrastructural features, through strategic partnership agreements with airlines that intend investing in the Catania Fontanarossa Airport for the new routes for at least two years. Should the routes be extremely interesting, the validity of these agreements can be extended, also through the opening of operational bases which generate a further income for SAC and benefits to all the economic activities such as accommodation and transfer for crew members .

These partnership agreements:

1. allow SAC to offer the possibility of reducing the start-up costs of the new routes to carriers;
2. foresee the obligation from carriers to perform marketing and advertising activities in favour of Catania Airport and the entire geographical area, as well as to achieve the objectives agreed with regard to passengers and flights of a set of destinations, against the obligation from SAC to contribute to marketing and advertising activities charges.
3. allow to inform potential passengers through a communication plan.

Commercial Policy – Guidelines

Market Economic Operator Test («MEO test*»)

This policy is in line with the new EU legislation on the aid to the start-up of routes (Communication of Commission 2014 / C 99/03 of 4 April 2014, Guidelines on State aid to airports and airlines). More in detail, the new Communication considers the agreements between airports and air carriers compatible with the market, if the aid granted meets the economic requirements of a private investor.

For this reason, **for each route liable to incentive, through an ex ante analysis, SAC will prepare a revenue and cost account attesting the agreement between the Airport and airlines that will lead to an increase of profits for the Airport (in compliance with the Market Economic Operator)**. The request for incentive will be taken into consideration only if the result of the test is positive. SAC will carry out the MEO test on the basis of the guidelines included in the EC communication (paragraph 3.5.2), as reported here below:

1. The Airport should demonstrate to be able to cover the costs arising from the aid scheme, with a reasonable profit margin. Different fares can be offered to carriers to stimulate the growth of traffic and non-aeronautical revenue. The higher non-aeronautical revenues will have to cover the lower revenues of airport fees.
2. All the expected costs incurred by the Airport with regard to the activation of the marketing plan at the Airport will be taken into account. Such incremental costs should refer to all the expenses or investments (that is the incremental costs of investment, personnel and equipment, rebate schemes, marketing and promotion support, and so on).
3. In contrast, costs which the Airport would have to incur anyway independently from the arrangements with the airline should not be taken onto account in the MEO test.

*MEO: Market Economic Operator

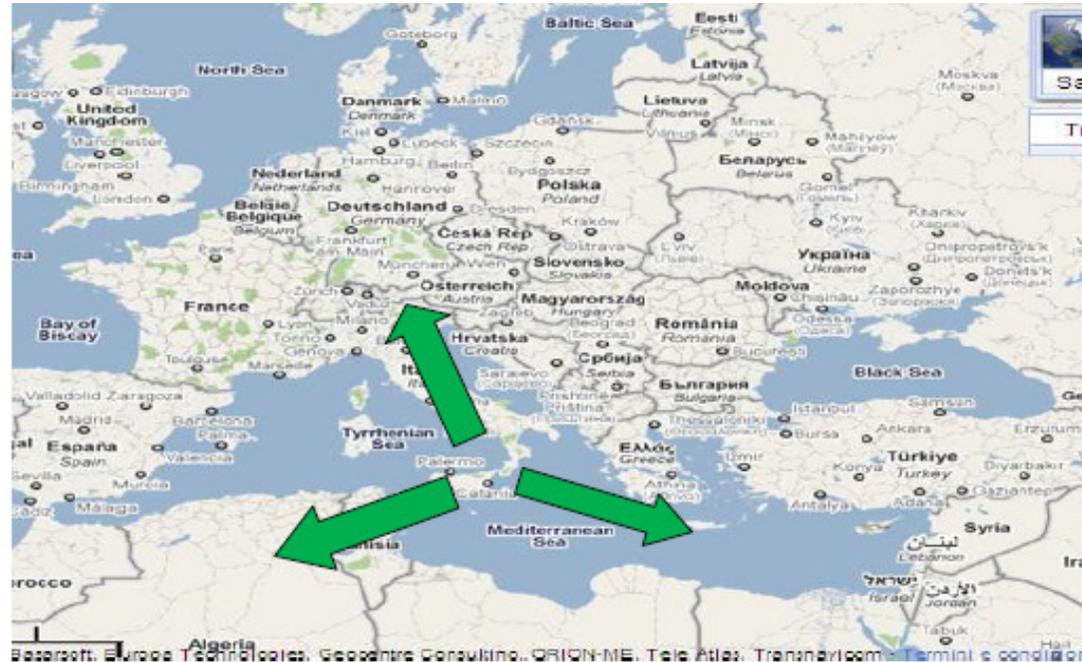


Commercial Policy – Guidelines

TARGET MARKETS FOR NEW CONNECTIONS NOT SERVED

Here below are shown the target markets for which air carriers are invited to make their proposals for new connections / frequency increase, that will be evaluated and eventually supported by SAC.

- EUROPE
- NORTH AFRICA
- MIDDLE EAST
- INTERCONTINENTAL CONNECTIONS



For a more detailed list see annex A

Commercial Policy – Guidelines

GENERAL FEATURES

The main selection criteria of the incentive program or marketing support are shown here below:

1. The program applies to international traffic served and not served, including the intercontinental long-haul one, taking into account the type of aircraft used and the existing infrastructural features, and the remaining domestic destinations not served, also through the activation of operational bases.
2. The program applies to scheduled flights on international and residual domestic routes. Incoming charter operations can be evaluated each time on the basis of possible positive effects on the territory.
3. The program applies, in an incremental way, to flights that have at least 1 weekly frequency.
4. The program can be applied only if, in the final balance, the 85% of scheduled flights have been made.
5. The incentive is recognized and paid only at the end of the operation of each IATA season. Should the agreement not be respected by the carrier - in terms of frequencies and flights – ie if the number of flights is below the 85% of what stated in the agreement, Sac will not recognize the amount due.
6. In case the new route, or the frequency increase on a route already operated should not be profitable, the carrier may propose the substitution of the route with another one previously not served by other carriers.
7. The incentive will be paid only if there is a contract signed by both parties, before the flights – subject of the incentive – are operative.
8. In order to get the incentive, the carrier will have to submit a simplified business plan to the Airport. The business plan will have to include the entire period of the operation covered by the agreement, in order to demonstrate the economic and financial sustainability of the new connection,

Commercial Policy – Guidelines

at the end of the incentive period too. Alternatively , the carrier may provide to the Airport with the traffic forecast, concerning the new connection and the characteristics of the offer (the type of aircraft, etc.)

9. The duration of incentive agreements must not exceed five years.

10. For the destinations which are particularly strategic, contracts may be further extended for a defined period of time.

11. In case of LARGE VOLUME OF PASSENGERS (at least 1,000,000 in one year), considering the strategic importance they have, a different ad hoc incentive scheme may be proposed on condition that both a business plan has been previously shared with the carrier, according to which the carrier will receive an incentive per departing passenger (depax), and that the incentive system is bearable, from an economic point of view, in the period covered by the agreement.

The result of the Market Economic Operator Test must be necessarily positive.

Commercial Policy – New destinations

With “new destinations” we refer to the start-up of new scheduled flights on international routes not served with at least a weekly rotation.

The incentives for new connections will be regulated as follows:

- Minimum period of operation: **two years**. Should the new route not be profitable, the carrier may propose the substitution of the route with another one.
- The incentive for incremental passengers will be paid in terms of discount on airport fees. For the first year of operation of the new route, **the maximum discount is 60% of airport charges***. In the following years, the discount will follow a decreasing trend. **The discount will depend on the level of the service offered by the carrier (for example weekly frequencies, seasonality and so on).**
- An incentive in terms of discount or, alternatively, the amount per departing passenger (that is €/depax) may be offered to carriers.
- The size of the discount will depend on the duration of the agreement (e.g. smaller for 2/3 years and higher for 5 years, whose last two years not incentivized).
- Moreover, based on the strategic value of the new connection, SAC will evaluate the possibility to support the air carrier with a marketing contribution and new routes start-up (to be provided for one or more years, at most until the expiration of the contract).

The final amount of the contribution will be defined on the basis of the Market Economic Operator test (MEO). Therefore, the contribution will be determined on the basis of the Airport profitability of the new connection and the characteristics of the connection itself (for example the aircraft type, frequencies, operating model, and so on).

*** Airport charges include the following: aircraft landing and departure fees, passenger boarding fees, aircraft parking fees, passenger security fees, hold baggage security charges, PRM fees. They do not include regional and Municipal additional taxes or other unlisted services.**

Traffic Development Schemes – Existing Destinations

In case of already existing connections which are still potentially attractive for the development of new traffic, the Airport could grant a support for international connections already operated in the following cases:

- New carrier: increase of flights on one or more connections already operated.
- Carrier already present on a certain connection: frequency increase.

In both cases, the support will have to respect the following criteria:

- The connections already operated (by the same or other carriers) will be supported for a maximum period of three years , and will not be further incentivized.
- Only the additional traffic will receive incentives. The additional traffic will be calculated in comparison with the traffic recorded in the previous year, by all carriers which operate on the same route. For strategic operations, an exception can be made. The highest incentive unit amount for incremental departing passengers will be equal to maximum 60% discount on airport landing / take-off and passenger fees in the first year. In the following years, the discount will follow a decreasing trend*. The size of discount will depend on the level of the service offered by the carrier (e.g. weekly frequencies, seasonality, eventual intercontinental connections, winter operation, etc.)
- The Airport may add an additional one-off support according to the traffic volume, replicable in case of strategic destinations, for the development of a marketing campaign on Catania Airport.
- The incentive will be defined in order to allow the same market opportunities to all carriers interested in operating on the same route, in a non-discriminatory way.

The final amount of the contribution will be defined on the basis of the Market Economic Operator test (MEO). Therefore, the contribution will be determined on the basis of the Airport profitability of the new connection and the characteristics of the connection itself (for example the aircraft type, frequencies, operating model, and so on).

*** The discount will be applied only to airport landing and take-off fees and passenger boarding fees.**

Commercial policy – (operational base)

- “Operational base” means the stationing of one or more aircrafts operating annual scheduled routes involving either the start-up of a new intercontinental route for at least five-hour duration or the start-up of no less than five new routes, for each base aircraft, starting from the first year of the agreement and for its entire duration. In the event of the opening of a new operational base in Catania, a contribution may be granted to the carrier. It will be negotiated according to the new routes developed and the overall volume of traffic ensured by the carrier.
- Incentives to new connections will be governed as follows, in addition to what previously planned for new destinations:
 - The carrier may propose the substitution of other routes, approved by Sac, in case they are not profitable.
 - Weekly frequencies: a minimum of 3 weekly frequencies during the summer IATA season and 2 during the winter IATA season or, alternatively, a minimum of 4 weekly frequencies throughout the summer IATA season.
 - According to the new routes developed and the overall traffic volume, SAC will evaluate the possibility of supporting the carrier as follows:

Annual marketing support in case of a new operational base to be granted in one or more years, until the expiration of the agreement at most.

One-off support for each base aircraft

In order to optimize investments for the construction of the new Catania Fontanarossa terminal and improve airport services, Sac may guarantee different economic conditions for the use of airport infrastructures (loading bridges, aircraft stands, operational offices, etc).

The final amount of contribution will be defined on the basis of the Market Economic Operator test. Therefore, the contribution will be determined on the basis of the Airport profitability of the new connection and the characteristics of the connection itself (e.g. the type of aircraft, frequencies, operating model, etc)

Commercial policy – (further increase in traffic)

- In case of a high increase in traffic volume (e.g. no less than 90,000 / 100,000 departing passengers in one year), an additional support may be granted for each departing passenger.
- This incentive cannot be added to agreements already in force.
- The above-mentioned increase will be calculated on the basis of the traffic developed by the carrier from the date of the signature of the agreement.
- The Carrier will have to guarantee at least one international destination not served when the agreement is signed. This destination must be agreed with Sac.
- The support will be granted for a maximum period of 5 years and will follow a decreasing trend.

The final amount of the contribution will be defined on the basis of the Market Economic Operator test (MEO). Therefore, the contribution will be determined on the basis of the Airport profitability of the new connection and the characteristics of the connection itself (for example the aircraft type, frequencies, operating model, and so on).

Beneficiary Selection Method and Transparency

Sac informs carriers of its commercial policy, in line with the national guidelines issued by Italian Ministry of Infrastructure and Transport on 2/10/2014 (par. 5 b), through its website and in particular:

- publishes the program of incentives to activate for the following year/s (b1), every six months
- updates the program in case of variations (b2)

The final amount of the contribution will be defined on the basis of the Market Economic Operator Test. Therefore, the contribution will be determined on the basis of Airport profitability of the new operating model and the characteristics of the connection itself (e.g. the aircraft type, frequencies, operating model, etc.)

On the basis of guidelines given in this document, carriers are invited to propose new connections, or the further development of the connections already operated, with reference to target markets defined by Catania Airport

Beneficiary Selection Method and Transparency

**On the basis of guidelines given in this document, carriers are invited to propose new connections, or further development of the connections already operated, with reference to target markets defined by Catania Airport, to the following email addresses:
commercialeaviation@aeroporto.catania.it
sac@pec.aeroporto.catania.it**

Notes:

The above-mentioned commercial policy will be valid until August 31, 2018.

Incentives will be granted according to the national guidelines issued by Italian Ministry of Infrastructure and Transport on 02/10/2014, to operational guidelines issued by ENAC (National Civil Aviation Authority) on 30/12/2014 and to the guidelines of the European Commission (par.3.5.2.).

Specific operational requirements are not necessary for the submission of proposals of new services (e.g. the aircraft type, and so on). The Airport will evaluate the economic sustainability of the new connections on the basis of the Market Economic Operator test



Annex A (new destinations)

1. Intercontinental destinations in the following areas

U.S.A., Canada, Middle East

2. Point-to-point connections Europe/Mediterranean

ALBANIA all destinations

ARMENIA all destinations

AZERBAIJAN all destinations

BELARUS all destination

CYPRUS all destinations

DENMARK all destinations except Copenhagen

ESTONIA all destinations

FRANCE all destinations except Paris, Lyon, Marseilles

GERMANY all destinations except Hamburg, Berlin, Colony, Dusseldorf, Frankfurt, Hanover, Munich, Nuremberg, Stuttgart

JORDAN all destinations

ALGERIA all destinations

AUSTRIA all destinations except Vienna

BELGIUM all destinations except Brussels

BULGARIA all destinations except Sofia

CROATIA all destinations

EGYPT all destinations

FINLAND all destinations except Helsinki

GEORGIA all destinations

GREECE all destinations except Athens

Annex A

IRELAND all destinations except Dublin

ISRAEL all destinations

Bologna , Cagliari, Genoa, Florence, Lampedusa , Milan (all airports), Naples, Olbia, Perugia, Pescara, Pisa, Rome FCO, Turin, Treviso, Trieste, Venice, Verona

LETTONIA all destinations

LITHUANIA all destinations

MOLDAVIA all destinations

NORWAY all destination except Oslo

POLAND all destinations except Katowice, Varsavia

UNITED KINGDOM all destination except Bristol, London (Gatwick, Luton) , Manchester

CZECH REPUBLIC all destinations except Prague

RUSSIA all destinations except Moscow, San Pietroburgo

SYRIA all destinations

SLOVENIA all destinations

SWEDEN all destinations except Stockholm

TUNISIA all destinations

UKRAINE all destinations

ICELAND all destinations

ITALY all destinations except Ancona, Bari, Bergamo,

LEBANON all destinations

MOROCCO all destinations

MONTENEGRO all destinations

NETHERLANDS all destinations except Amsterdam, Eindhoven

PORTUGAL all destinations

ROMANIA all destinations except Bucharest, Iasi, Bacau

SERBIA all destinations

SLOVAKIA all destinations

SPAIN all destinations except Barcelona, Madrid

SWITZERLAND all destinations except Basel, Geneva, Zurich

TURKEY all destinations except Istanbul

HUNGARY all destinations except Budapest

