

GEASAR S.P.A – OLBIA COSTA SMERALDA AIRPORT

TRAFFIC DEVELOPMENT POLICY

Edition of 22 March 2024

Foreword

GEASAR S.p.A., the management company of Olbia Airport (hereinafter GEASAR), headquartered in Olbia - Costa Smeralda Airport, VAT number 01222000901, registered in the Sassari Chamber of Commerce under no. SS-82528, has been granted the concession to manage Olbia Costa Smeralda Airport for forty years until 2046, under the Interministerial Decree no. 8 of March 15, 2006.

GEASAR S.p.A. is a company whose majority shareholder is a private entity, with the following shareholding structure: F2i Ligantia S.p.A. (79.8%), Sassari Chamber of Commerce (10%), Nuoro Chamber of Commerce (8%), Regione Autonoma della Sardegna (2%), Costa Smeralda Consortium (0.2%).

This Traffic Development Policy (hereinafter "Policy") is referenced in the following regulations:

- **European Union** guidelines on start-up aid for routes (Commission Communication 2014/C 99/03 of April 4, 2014, on state aid to airports and airlines) when public funds are used.
- **National regulations**, most recently established by paragraphs 14 and 15 of Article 13 of the Decree-Law of December 23, 2013, no. 145, converted with amendments by the law of February 21, 2014, no. 9, as amended by Article 1, paragraph 7 of Decree-Law of August 10, 2023, no. 104, converted with modifications by the law of October 9, 2023, no. 136, containing urgent provisions to protect users in economic and financial activities and strategic investments.

The policy represents:

- A compliance tool to meet regulatory and legal requirements, without creating any obligation on GEASAR to contract or any subjective right to the payment of incentives to carriers operating at the airport. The policy may be modified at any time, in a manner that maintains impartiality.
- A commercial communication tool to ensure transparent access for airlines to incentive programs of interest to GEASAR, which may freely modify or update the policy based on market developments, infrastructure and operational needs, or changes in applicable regulations.
- An example of a uniform and shared set of predominant incentive schemes, with GEASAR retaining full discretion to negotiate directly with a carrier if no expressions of interest are received or if those received do not align with the company's objectives or are not sustainable.

1. Objectives

1.1 In 2023, Olbia Airport recorded a traffic volume of 3,253,250 commercial aviation passengers, with 56% on domestic routes and 44% on international routes. Notably, before the pandemic, international traffic accounted for 53% of total traffic. Olbia Airport experiences strong seasonality, with 72% of traffic flows occurring during the peak summer months (June to September), and the number of passengers in peak months like July or August being 16 times higher than in February.

1.2 To support the sustainable development of its network, GEASAR's has drafted this Policy, which will be applied in line with GEASAR'S strategic priorities, taking into account the transportation needs of the regional area and the dynamics of the Sardinian airport system as a whole.

1.3 The Policy aims to:

- Increase and/or diversification of destination of strategic value.
- Increase traffic volumes on existing routes.

- Develop frequencies, seat offered and increase in the level of connectivity through direct connections.
- De-seasonalize and distribute off-peak traffic flows.
- Support passenger traffic volumes;
- Improve access to airport infrastructure and optimize the use of available airport capacity;
- Promote sustainable growth with environmental protection actions and a general commitment to achieving decarbonization, innovation, and passenger service quality objectives.

2. Targets

2.1 GEASAR has defined the following policy, ensuring access to carriers in a transparent and non-discriminatory manner, in compliance with the principles of competition protection as defined by current national and European Union regulations, as well as in alignment with the company's own development policies.

3. Criteria of traffic development incentives

3.1 Incentives typologies

This policy will be applied to carriers that (after verifying the requirements as listed in paragraph 6 of the policy) commit to implementing strategies for the development and growth of activities at Olbia Airport to achieve the objectives outlined in paragraph 1. These strategies are defined in development plans by the carriers, which include:

- A) NEW STRATEGICALLY ROUTES OF INTEREST**
- B) INCENTIVE FOR PASSENGERS' GROWTH ON EXISTING ROUTES**
- C) YEAR-ROUND ROUTES**
- D) MULTI-YEAR CONSOLIDATION AND/OR DEVELOPMENT PLANS FOR SIGNIFICANT PASSENGER TRAFFIC VOLUMES (INCLUDING THE OPENING OF A BASE)**

Specifically:

A) NEW STRATEGICALLY ROUTES OF INTERESTED

Requirements

- The route (identified by the IATA airport code) has not been operated (as scheduled flights) from Olbia airport in the last 12 months.
- The route must be scheduled as "scheduled flight".
- Minimum thresholds are required in terms of operations: frequencies, movements, and months of operation.
- Any destinations already operated by an airline (considered underserved by GEASAR based on its market analysis) for which an airline plans to increase frequencies or operations, can be eligible for this category of incentive.

Duration

- The duration of the incentive can vary from a minimum of three years to a maximum of five years. GEASAR may consider extending it for destinations deemed to be of strategic interest.

B) INCENTIVE FOR PASSENGERS' GROWTH ON EXISTING ROUTES

Requirements:

- The route is already operated by a scheduled carrier, for which the same carrier plans an increase (in terms of additional frequencies and/or capacity offered) compared to the previous IATA season.

- The carrier must record an overall growth in passengers transported to/from Olbia Airport compared to the same period of the previous year.

Durations:

- The duration of the incentive can vary from a minimum of one year up to the validity of this policy, provided that the carrier meets the above requirements.

C) YEAR ROUND ROUTES

Requirements:

- The route (identified by the IATA airport code) is not operated by other carriers during the same IATA Winter season.
- The route must be scheduled as a regular service.
- Minimum thresholds are required in terms of operations: frequencies and movements.
- GEASAR may consider allowing operational pauses during the winter season.

Durations:

- The duration of the incentive is five years. GEASAR may consider extending it for destinations deemed to be of strategic interest.

D) MULTI-YEAR CONSOLIDATION AND/OR DEVELOPMENT PLANS FOR SIGNIFICANT PASSENGER TRAFFIC VOLUMES (INCLUDING BASE OPENING)

Requirements

- Commitment by the Carrier (new or existing) to Develop a Network of Destinations at the Airport
The carrier, whether a new entrant or an existing operator, commits to developing a network of destinations at the Olbia Airport within a specified timeframe. This network, whether with or without aircraft based there, must generate significant traffic volumes that contribute to optimizing the use of the Olbia Airport's infrastructure.

Durations

- The duration of the incentive is typically up to 5 (five) years. GEASAR reserves the right to extend the period of application.

3.2 Incentive Determination Parameters

The amount of the incentive granted will be linked to the achievement of contractual targets based on the following parameters:

- traffic volume that can be generated.
- Increase in passenger volume compared to the previous year or a specific base year;
- Type and strategic relevance of the destination (domestic/European/intercontinental);
- Strategic importance of the destination.
- Number of frequencies operated;
- Type of aircraft used;
- Operational period (seasonal or year-round).
- Time slot of operation (peak vs. off-peak).
- Carrier's commercial capacity in the market.

The incentives are predetermined in their amount and predefined on the basis of "ex ante profitability" analyses. The amount of the incentives is, in all cases, determined from time to time following the negotiation between GEASAR and the beneficiary. In the case of multi-year agreements, the incentive may be subject to periodic redetermination mechanisms based on the trend of airport charges.

The amount of the incentive must normally be determined to ensure that the average amount per passenger recognised by GEASAR does not exceed 80% of the expected average aviation revenue per departing adult passenger. Waiving of this limit may be justified in the presence of programs destined for operations and business opportunities with an exceptional strategic value.

4. Efficacy

- This policy is published on the official GEASAR web site: www.geasar.it, available in both Italian and English languages (in case of discrepancies, the Italian version prevails).
- Agreements related to Development Plans selected by GEASAR will be formalized in specific contracts, which will remain confidential.
- It is agreed that agreements signed based on previous policies will remain in effect until their stipulated expiration, unless terminated earlier.

5. Requirements for Accessing Incentive Scheme

5.1. Requirements for Accessing the Incentive Schemes, which will be subject to evaluation by the company for the purpose of initiating commercial negotiations with the individual beneficiary:

- Possession of a valid air carrier license, including traffic rights where necessary.
- Not being listed on the EU safety list (i.e., the blacklist of carriers subject to operational bans throughout the European Community);
- Not having committed serious violations of law or regulation and/or significant breaches of contractual terms with the company in the past 5 years;
- Operating scheduled flights at the airport.

5.2 GEASAR will also have the discretion to assess the following conditions, which may be considered indicators of low reliability and integrity, for the purpose of admitting a carrier to an incentive program. GEASAR will have full discretion to deny admission to the incentive program if the counterpart does not provide adequate guarantees in this regard:

- Serious violations of law or regulation, or the existence of ongoing investigations or proceedings related to the commission of such violations by the carrier or its legal representatives;
- Serious breaches of contractual obligations towards GEASAR, including those related to the payment of airport charges;
- The existence of disputes with GEASAR or its controlled or affiliated companies.
- Filing for or admission to insolvency proceedings, even if under business continuity
- Weak financial or asset stability

The assessment of the carrier's reliability and integrity for the purpose of admission to an incentive program will be conducted at GEASAR's discretion.

6. Incentive plan admission method

6.1 Beneficiaries who are interested in improving, developing or increasing their activities at the Olbia Airport and who want access to the Incentive Programme can send an application via e-mail to the GEASAR aviation business office aviationmarketing@geasar.it;

6.2. The following information must be specified in the application form:

- Route/s of interest
- Scheduled operation (start up and month of operativity)
- Numbers of scheduled frequencies
- Type of Aircraft

6.3 GEASAR reserves the right to request additional information from the carrier or to conduct its own analyses to verify compliance with the requirements outlined in paragraph 6 of the Policy.

6.4 GEASAR t its sole discretion, will assess the strategic value of the development plan submitted, selecting the carrier or carriers that have presented proposals deemed most suitable for achieving the objectives set out in this incentive program, taking into account the economic, financial, and environmental sustainability of the plan.

6.5 In the event of a positive outcome of the verification, GEASAR will begin commercial negotiations with the requesting carrier to define the terms of the relevant contract. GEASAR reserves the right not to enter into any agreement if it deems that the conditions outlined in this Policy are not met.

6.6 If more than one airline applies for the same route, following a positive assessment of reliability and financial stability, GEASAR reserves the right to conduct parallel negotiations. GEASAR will have the right, at its discretion and based on the criteria outlined in this Policy, to choose one or more carriers for the subscription of contracts related to the incentive program.

7. Disbursement methods

Any incentive referred to this policy will be:

- Provided only upon of the formalization of a dedicated agreement, signed by both parties, which will be confidential.
- Provided ex post, either in a single installment or in installments, upon the achievement of traffic targets and contractual obligations specified in the agreement, and subject to compliance with all conditions outlined therein;
- In special cases, the contract may provide for advance payments on the incentives, subject to adjustment and/or repayment following verification of the actual fulfillment of all conditions required for final payment.
- Conditioned on the carrier's compliance with the payment of all invoices issued by GEASAR S.p.A. for services rendered by GEASAR S.p.A.