



SEA GROUP POLICY FOR THE DEVELOPMENT OF TRAFFIC AT MILAN MALPENSA AIRPORT

Preamble

The recent dynamics of the international aeronautical market are characterized by increasing competitiveness both among airports and among airlines. This evolution suggests the need for airport operators to adopt marketing policies aimed at pursuing the priority and specific market objectives of each operator.

As a result, it is necessary to recognize the airport operator, as an independent entrepreneurial entity, with broad and adequate autonomy, even in relation to commercial choices, although respecting principles of transparency and non-discrimination.

The evolution of the aeronautical market has led to a progressive increase in competitive pressure on airport operators, resulting in ever-increasing competition for the development of routes and traffic and the need for fully autonomous management of their business.

In this context, SEA has adopted a policy consisting of a series of tools aimed at achieving market development targets consistent with the overall growth strategy of the Group, also considering what is indicated by the National Airport Plan, which has reiterated the strategic centrality of the role of Malpensa airport as a reference "Intercontinental Gate" in Northern Italy.

This traffic development policy is based on the following regulations:

- European Union regulations on start-up aid for routes (Commission Communication 2014/C 99/03 of April 4, 2014, on State aid to airports and airlines) relating to the use of resources of a public nature.
- Italian regulations, recently sanctioned by paragraphs 14 and 15 of Article 13 of Legislative Decree no. 145 of December 23, 2013, converted with amendments by Law no. 9 of February 21, 2014, as amended by Article 1, paragraph 7 of Legislative Decree no. 104 of August 10, 2023, converted with amendments by Law no. 136 of October 9, 2023, containing urgent provisions



for the protection of users, on economic and financial activities and strategic investments.

The traffic development policy prepared by SEA represents:

- a mere tool that does not result, solely through publication, in a contracting obligation on SEA or a subjective right or legitimate interest in the payment of incentives to the operators operating at the individual airport; while the possibility of rapidly modifying the needs underlying the policy itself remains, always with a view to equal treatment and impartiality.
- a means to ensure transparent access for airlines to SEA's incentive programs. It is understood that SEA will modify/update this policy at any time and at its own discretion in relation, for example, to the evolution of market trends and/or infrastructural and operational reasons and/or changes in current regulations.
- the exemplification of a uniform and shared typology of the prevailing incentive schemes, with every evaluation of interest in incentivizing flight activity at the discretion of SEA, based on its own traffic development policies and the terms, methods, timing, and parameters deemed most appropriate; this is subject to SEA's full discretion to negotiate directly with an operator if there are no expressions of interest or if the received expressions are not aligned with the company's objectives or seem unsustainable to SEA.

Primary Objectives

SEA, pursuing a strategy aimed at continuous development of connectivity at Malpensa airport, for the benefit of the wide catchment area, considers it a priority to achieve the following objectives in terms of air traffic development:

- **Long haul (over 3,500 km)**
 - Development of the network of strategic long-haul destinations
 - Increase in frequencies on strategic long-haul destinations
 - Extension of the operational period of seasonal routes (beyond a complete IATA season)
 - Structural development of short to medium-haul connections supporting traffic flows systematically connected to long-haul flights, within the framework of partnerships and network agreements at Malpensa.

For a new connection is considered a service operated at a metropolitan airport system not connected to Malpensa by another carrier for at least 2 consecutive IATA seasons. Connections where there are codeshare agreements between new operating carriers and marketing carriers that have suspended or reduced capacity on the route during the last 4 consecutive IATA seasons are excluded from the incentivization policy.

- **Short/medium haul (up to 3,500 km)**

- Deployment of a fleet of at least 3 additional narrow-body aircraft based at Malpensa with predominant use at the airport
- Multi-year development plans at the airport with planned YoY growth rates for carriers already operating at Malpensa and offering at least 1 million seats roundtrip per year
- Development of the network of strategic short/medium-haul destinations, with priority for Eastern European countries, the Mediterranean area, and some domestic destinations not served
- Development of transit traffic on strategic routes.

In order to promote the development of direct long-haul connections and not incentivize the development of indirect traffic to long-haul destinations via competing Hubs, services of short and medium-range operations with annual passenger volumes greater than 20 million passengers (measured as of December 31st, 2019) and/or routes falling under Joint Venture and/or code-sharing agreements on long-haul sectors are excluded from the scope of incentivization plans (in terms of capacity offered and passengers transported), except for traffic development agreements for long-haul routes via Malpensa. Carriers included in short and medium-haul incentive plans, solely transporting point-to-point traffic on the route, are exempt from this limitation.

- **All-Cargo Services**

- Establishment of new operational bases at Malpensa (*) or enhancement of existing base operations
- For non-based carriers, increased frequencies operated at the airport with long-haul flights to strategic markets
- New carriers operating long-haul flights to strategic markets

(*) An operational base is defined as when the carrier operates at least 1,000 movements/year with all-cargo aircraft based at the airport.



For the determination of the described parameters, SEA will use methodologies and tools commonly used in the industry, and if not already specified, the initial reference period will be represented by the year 2019.

General Criteria of the Policy

This commercial policy is proposed to provide equal opportunities to airlines intending to adhere to it, transparently and non-discriminatorily. The programs in question are not mutually cumulative and are not applicable to routes benefiting from different forms of support provided by public entities (i.e., territorial continuity). SEA also reserves the right to extend the program to routes for which the carrier already receives support from other entities.

SEA will only enter into agreements that, following an appropriate internal ex-ante financial analysis, demonstrate the ability to ensure the airport operator, within the expected timeframe, adequate profitability according to the European criteria of Market Economy Operator (MEO).

Considering the essential principle of free entrepreneurial activity, also regarding incentive criteria, SEA reserves the right to evaluate additional support methods, as well as the granting of specific non-monetary benefits in terms of co-marketing for development projects deemed particularly relevant for the growth of the airport and territory accessibility.

The commercial tools adopted pay attention to the sustainability of the strategies to pursue, favoring the offering of passenger transport in high-traffic network sectors, compatible with a maximum environmental impact threshold measured on the same capacity offered. Specifically, concerning short and medium-haul traffic, considering the high traffic volume, an essential requirement to access the described schemes is the use of a fleet with a low environmental impact, attesting to a weighted average noise level on the airport of less than 1.6 dB per seat offered on an annual basis.

Policy Management Methods

The traffic development policy will be published on the institutional website of the airport operator in both Italian and English (with Italian prevailing in case of any disputes).

Carriers interested in benefiting from the incentive program must contact SEA, Aviation Business Development Department, at e-mail aviationdevelopment@seamilano.eu, at least 60 days before the start of each relevant IATA season for the development project.



The applied schemes will have a duration of up to 3 years if they concern a single route, with the possibility of extension up to 5 years for projects involving a more diversified portfolio of activities, with the option for SEA to extend or renew its validity within defined time frames.

SEA will evaluate the proposals received considering both the economic/strategic attractiveness of the presented project and the economic/financial requirements of the proposing entity.

The amount of the incentive will be determined on a case-by-case basis, following negotiation between SEA and the individual beneficiary, based on the provided schemes and the agreement signed between the parties.

In relation to certain types of incentive programs, SEA may provide the expected benefits to two or more carriers.

The payment of incentives is subject to the signing of a specific contract between SEA and the carrier that will detail the terms of the agreement, as well as to the carrier's regular payments to the SEA Group.

SEA reserves the right to modify/update this policy at any time, in relation to market trends.