



FLASH LINE MAINTENANCE S.R.L.

"FLM"

Credit Policy

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[Maintained by the Managing Director]

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1. Credit Policy Purpose

The accounting and financial department, under the control of the managing director, act as credit department within the finance function at FLM and is responsible for approving or withdrawing credit limits to customers and reviewing the credit limits at periodic intervals.

The credit department can also decide to offer discounts, part payment options, and other flexible options to pursue open invoices and collect payments, subject to authorized approvals.

The purpose of this credit policy document is to help credit analysts, credit managers, accounts receivable (AR) analysts, collectors, and other stakeholders understand and abide by FLM's views on extending credit to potential and existing customers.

This credit control policy sets out the requirements for payment terms with FLM customers.

The main objectives of credit management are to ensure that:

1. Credit terms are used to maximize sales with the minimum of risk
2. Credit risks are identified to safeguard sales to those customers.
3. All invoice payments are collected according to the agreed payment terms.

2. Credit Policy Mission

The credit department intends to limit overall credit risk exposure and ensure it remains within the permissible industry limits and the company's articles of association requirements and the Italian Civil Code by following standard practices throughout the organization and ensuring no customer is unduly extended indiscriminate credit limits.

3. Credit Policy Goals

The credit department is responsible for key performance indicator (KPI) metrics including days sales outstanding (DSO), percent overdue receivables, accounts turnover ratio (ART), etc. The following are the key goals of the credit department:

1. Maintain a DSO of 90 days or less to be considered as days above the agreed due date of the payment terms
2. Receivables beyond 90 days should not be over 75% of the total
3. Bad debt write-offs should not exceed 1% of total annual sales and shall be subject to the evaluations i.a.w. Italian Civil Code and where applicable agreed by both the Managing Director and the Collegio Sindacale or Sindaco Unico prior to be written off
4. Accounting & Finance department should establish continued contacts with all clients to keep under continued control the client status, list of open invoices with confirmation of balance and lists of approved invoices, including continuous monitoring of planned payments prior the due expected date of commercial terms of invoice expiration.
5. Review with the Managing Director the status of all clients on a weekly basis to solicit the clients in overdue terms
6. Customer credit lines should be reviewed annually based on the customer precedent year payment behavior and any market news that may influence the customer credibility, loyalty and trustability.
7. Resolve all credit disputes within 30 days from the time the dispute is raised in a formal written manner.

4. Credit Policy Scope

The credit guidelines mentioned in the document apply to all sales made to the whole company's clients, excluding sales to government organizations.

Any exemptions sought should be approved in writing by the credit department and authorized by the Managing Director.

5. Credit Evaluation Methods

The credit department lays down and maintains payment terms and credit lines for all existing and new customers and prospects checking the agreed commercial & contractual terms.

The department extends credit to customers who can demonstrate their financial ability or strength to repay a debt.

The credit department checks on a weekly basis the situation of all customer accounts splitting the due amounts in 0-30; 30-60; 60-90; 90-120; >120 days and checks any increased amount per single client in the extended long period of outstanding debt consequently focusing on such client for solicitation and recoveries informing the Managing Director of such a client situation to be considered as a sensitive client for indebtedness or late payments.

FLM works with all airlines of the World who have a valid Aircraft Operator Certificate and authorized permits to fly in the airports where FLM is based, therefore FLM for the purpose of services rendered where FLM is certifying the airworthiness of all clients aircraft, has consequently a strong force to retain assets of indebted Clients such as retaining aircraft and spare parts until satisfactory payments are not received: the Italian Code of Navigation allows FLM to keep on hold all Clients assets until payment is performed and FLM can as well ask the Italian Civil Aviation Authority ENAC to impede departure of an aircraft where the client operating it has been raised for a Right of Retention by FLM, so far FLM considers all clients as low risk Vs retaining actions in force at FLM; consequently it is not appropriate to carry out checks on Credit Agencies such as Experian, D&B, Equifax, CreditSafe, and Sersa.

FLM also uses publicly available financial information from Aviation Market Press Agencies such as Italiavola, CH Aviation & Aerotime to follow status of clients in their day to day business with particular focuses on press agencies of aircraft returned to lessors, routes dismissed, based aircraft dismissed showing an increase of risk for such clients.

Upon signature of an IATA Standard Ground Handling Agreement SGHA with an airline AOC Holder, FLM grants the terms and conditions of payment for such an airline client which are as a basis 30 days from invoice date with invoice delivered at 1st day of the month where the services shall be rendered to be paid within the end of the same month where the services are rendered: in such case FLM has right to suspend services of airworthiness continued to the Client's aircraft enforcing payments.

All clients without an SGHA shall pay either cash in advance a service or immediately upon the certificate of release to service is delivered or at immediate invoice reception addressed via email pdf.

The credit team evaluates the scorecard with colors in the file provided weekly to the Managing Director with evidences of Red color for >90 days overdue (after the agreed terms of payment), orange for 60 to 90 days; yellow for 30 to 60 days ; green for 15 to 30 days; white for 0 to 15 days.

If the credit scoring and prediction system and the credit team's discretion find no red flags such as instances of credit fraud or chances of bankruptcy, appropriate credit limits will be assigned.

The maximum credit limit may be increased on a per customer basis, subject to the approval of the Managing Director.

6. Important Credit Policy Guidelines

This section outlines some general rules of thumb to be followed when extending credit limits to customers.

1. The credit limit for any customers, existing or new, cannot exceed, 500.000 or 35% of total sales value with them, whichever is lower. This limit is intended as example : an airline client has 15 based aircraft with an SGHA agreed payment terms of 90 Days , each aircraft has a monthly fix rate of 25.000 Euro consequently the Monthly Fix Rate Invoice for such a Client is set to 15 x 375.000 Euro per month of service, the first service month invoice is delivered with a 90 days payment term for 375 K and we reach 30 days outstanding not yet due amount, the second service month invoice is delivered with a 90 day payment term for another 375 K and we reach 60 days of the 1st month invoice of 375 K outstanding not yet due amount plus these other 375 K outstanding not yet to be due amount for a total of 750 K, the third service month invoice is delivered with a 90 day payment term for another 375 K which is not yet to be due while the first service month invoice becomes due at the 90th day so the Total amount outstanding remains fix at 750 K provided that at same day the first service month invoice of 375 K has been paid. If not the 1st service invoice month shall be charged with interest and start conversation with client to enforce quick overdue repayment else to strength the FLM Force and suspend services and retain assets.
2. Unless otherwise approved by the Managing Director, the credit department ensures that all receivables will have payment terms that are Net 30 days or lower.
3. Payment terms for clients already contracted cannot be modified or altered without approval from the Managing Director.
4. All blocked or flagged Clients will be served at first opportunity enforcing right of retention of asset and pretending full payment of all outstanding items.
5. Invoices will follow FLM standard template and provide all necessary information including aircraft technical logbook certificate of release to service as the proof the services of FLM have been rendered (Applicable where there is no SGHA in place)
6. Customers will be invoiced immediately at the CRS on ATLB or as per agreed contract terms in the SGHA .
7. All customers are provided with FLM Terms & Conditions found here: <https://www.f-lm.aero/termsconditions/>

6.1 Delinquent accounts policy

FLM defines delinquent accounts as account receivable balances that are more than 60 days past due over the agreed terms and conditions of payment.

Emails in Italy for recovery of account are not legally valid.

The credit team adopts the following procedure :

- a) Establishes with the delinquent client to convene on the list of unpaid invoices by invoice number, invoice exit date, invoice due date, invoice amount getting a written confirmation of the invoices outstanding and agreed by both parties
- b) Sends a certified legal letter of warning asking to repay within the reasonable time of 15 calendar days the outstanding amount re-senting in the certified legal letter all the invoices with the agreed document of the outstanding debt convened
- c) If no payment is received within the 15 days, then a second certified letter is addressed with the same request to pay the outstanding debt within the reasonable time of 15 days informing and warning that retention of spare parts or aircraft will act or suspension of certifying continued airworthiness of aircraft and asking Italian CAA to void traffic rights to the airline and block the airline
- d) If no payments are received, FLM instructs its attorney for the Decreto Inguntivo in Urgenza to size the assets of the client by law order.

The accounts receivable team will work with the sales team to resolve the payment.

If the client still operates aircraft and will appear in the FLM network with a possible request of service , then it is reasonable to keep the debt outstanding and not to write it off as FLM has further possibilities to size assets and get paid.

If the client stops flying , then immediately FLM shall act as above.

6.2 Bad debt policy

When a delinquent account is not resolved 365 days after the due date but the airline client is still operating aircraft and is susceptible to land in an airport served by FLM, even after considerable efforts have been made to collect the payment, the receivable will not be written off as bad debt as still exists a possibility for FLM to get paid if the aircraft stops for whatever reason in the FLM network .

The unique condition to write off bad debts is limited exclusively by the cases falling under Italian Civil Code and in case of insolvency of an airline, not earlier as such credit shall be considered at all times valid, solid, undisputed and possible to be received.

The conditions under which an account can be written off as bad debt is strictly in adherence to Italian OIC and Italian Civil Code such as bankruptcy, the customer has gone out of business.

Based on the recommendation and discretion of the Managing Director the outstanding balances can be turned over to any of the company's approved third-party collection agencies for further steps or for the attorney assigned for the decreto Inguntivo.

6.3 Parent company – subsidiary & controlling company or sister company credit line policy

FLM determines credit limits for the customer's parent company. The credit limits are then proportionately distributed to the child or subsidiary or sister or controlling companies based on their credit scores and the euro value of the business we do or expect to do with them.

FLM does not limit the credit for such parent companies within Avia Solutions Group Plc, while continued intercompany effort to have on time payments shall be pursued day by day to limit intercompany over exposure.

7. Credit Review Policy

For all existing customers, the credit department reviews credit limits annually unless in exceptional cases where there is news of bankruptcy, mergers and acquisition, fraud, or other similar instances.

In such cases, the credit review may be initiated before the stipulated time frame.

For all clients whose credit limit exceeds 1.000.000 euro, the credit terms will be reviewed annually.

In exceptional cases, the credit department can review the credit limits for individual services when they go above or reach the threshold of the determined limits.

Existing credit lines will be subject to changes in customer creditworthiness and credit risk score.

If the credit department finds the credit line extension unviable, the customer account can be placed on credit hold and open services / contracts / SGHA withheld or canceled.

8. Key Points of Contact for Credit Policy Implementation

This section outlines the roles and responsibilities within the credit department.

Only the Managing Director approves credit line, nobody else is authorized to agree with clients payment terms.

All payments shall be made by bank wire transfer to FLM account.

Accounting & Financial Team is responsible for

- **credit risk management**
- **collections**
- **credit evaluation**
- **credit reviews**
- **managing the overall customer portfolio risk.**
- **to issue communications to customers regarding credit-related matters.**
- **day-to-day accounts receivable management operations including invoicing and cash posting.**
- **oversees payment collections.**