

LITHUANIAN AIRPORTS' NETWORK INCENTIVE SCHEME

Valid from 1 March 2018

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1. PREAMBLE

State Enterprise Lithuanian Airports is committed to expanding the route network from all Lithuanian airports managed by the enterprise, encouraging airlines to operate new routes from / to Lithuanian Airports, utilizing the underused capacity and continuing sustainable development, increasing overall volume of passengers promoting economic value to the State Enterprise Lithuanian Airports. These goals are set for the Lithuanian Airports' Network Incentive Scheme (hereinafter referred to as the **Network Incentive Scheme**).

2. DEFINITIONS

Airline Group - parent and subsidiary companies, as well as companies whose 50% or more shares (shares, stocks or any other voting rights in a participants' meeting) directly or indirectly belong to the same company that are considered associated airlines.

Airport Charges – charges that airport is collecting for the use of Lithuanian Airports' services and as listed in the Network Incentive Scheme which are payable by airline to the airport.

Abandoned Route Incentive – a discount scheme for a route which connects Vilnius or Palanga airport with another airport and which has been abandoned for more than 3 months prior to restoration of operations as detailed in Vilnius Airport Incentive Scheme and Palanga Airport Incentive Scheme, available at www.vno.lt and www.palanga-airport.lt.

Application Form – a form to be filled by airline and submitted to Lithuanian Airports when applying for Network Incentive Scheme under the terms and conditions of this document.

Approval Letter – a letter that Lithuanian Airports shall provide to the airline in order to confirm the airlines' application under the terms and conditions of Network Incentive Scheme.

Charter flight – a non-scheduled operation (flight operated otherwise than scheduled flight or scheduled charter flight) using a chartered aircraft.

Enterprise / Lithuanian Airports – State Enterprise Lithuanian Airports that operates three major civil airports in country: Vilnius Airport, Kaunas Airport, Palanga Airport.

IATA season – Period of the year set by the International Air Transport Association (IATA), designed as IATA summer (from the last Sunday of March of the current year until the last Saturday of October of the same year) and IATA winter (from the last Sunday of October until the last Saturday of March of the following year).

Kaunas Airport Incentive Scheme - an incentive scheme based on the thresholds of carried passengers published at www.kun.lt.

KUN – Kaunas Airport.

Minimum Threshold – minimum number of departing and arriving passengers that an airline should carry on Scheduled flights and/or Scheduled charter flights at each of Lithuanian Airports during a Period.

New Route Incentive – a discount scheme for a new route which connects Vilnius or Palanga airport with another airport and that has not been operated from the airport directly in the past 12 months as detailed in Vilnius Airport Incentive Scheme and Palanga Airport Incentive Scheme available at www.vno.lt and www.palanga-airport.lt).

PAX – Passengers.

Period – a period of 12 consecutive months, which starts from 1st of April 2018 and ends on 31st of March 2019 (hereinafter referred to as **Period 1**), or a period of 12 consecutive months, which

starts from 1st of April 2019 and ends on 31st of March 2020 (hereinafter referred to as **Period 2**). Both Period 1 and Period 2 hereinafter referred to as the **Periods**.

PLQ – Palanga Airport.

Route Growth Incentive – a discount scheme for an increased amount of passengers for each route operated from Vilnius or Palanga airport by airlines that demonstrates at least 5% increase in passenger numbers as detailed in Vilnius Airport Incentive Scheme and Palanga Airport Incentive Scheme, available at www.vno.lt and www.palanga-airport.lt.

Scheduled charter flight – one flight of a series of flights (to/from airport from/to the same destination), operated according to a published timetable at the start of the IATA season and tickets are sold to the public not only via a single Tour Operator, but also via standard GDS and other accessible public booking engines.

Scheduled flight – one flight of a series of flights (to/from airport from/to the same destination), operated according to a published timetable at the start of the IATA season and all tickets are sold to the public via standard GDS or accessible public booking engines.

VNO – Vilnius Airport.

3. NETWORK INCENTIVE SCHEME

The following terms and conditions will be applicable to airlines which have applied for this Network Incentive Scheme. Upon submitting an application by an airline and implementing the conditions provided for in the Incentive Scheme, the Network Incentive Scheme shall be applied with respect to all airlines within the Airline Group.

3.1. Airport Charges

All airlines operating Scheduled flights and/or Scheduled charter flights from/ to more than one Lithuanian Airport: VNO, KUN, PLQ may benefit from a discount on Airport Charges for services provided for those Scheduled flights and/or Scheduled charter flights in accordance with the set out criteria.

The discount is applicable to the following Airport Charges:

- Departing passenger charge;
- Aircraft landing charge;
- Security charge;
- Aircraft parking charge.

For the avoidance of doubt the Airport Charges do not include the following charges:

- Follow me charge;
- Centralized infrastructure fees;
- Persons with reduced mobility charge (“PRM Charge”);
- Any other fees and/or charges that may be introduced during the validity of this Network Incentive Scheme.

3.1.1. Level of Network Support

In accordance with this Network Incentive Scheme, the discount on Airport Charges shall be applicable only for Scheduled flights and Scheduled charter flights from / to Lithuanian Airports. The Incentive Scheme shall be applied to airlines and Airline Groups. The airlines may perform the obligations of airlines provided for in this scheme on behalf of other airlines within the same Airline Group. All airlines or Airline Groups which satisfy the Minimum Thresholds criteria at any two Lithuanian Airports during the same Period are entitled to 20% discount (Incentive) on qualifying Airport Charges at both airports, while airlines or Airline Groups which satisfy the Minimum Thresholds criteria at all three Lithuanian Airports during the same Period are entitled to 30% discount on qualifying Airport Charges at all three airports accordingly. (The discount of 20 percent or 30 percent shall not apply to charges for using KUN if Kaunas Airport Incentive Scheme is applicable to a respective airline. The airline that operates flights from KUN, however, may get a discount on charges for using other airports managed by Lithuanian Airports according to this Network Incentive Scheme, i.e., 20 percent – if the airline reaches the minimum threshold in at least two airports managed by Lithuanian Airports (KUN, VNO or PLQ), 30 percent – if the airline reaches the minimum threshold at all three airports managed by Lithuanian Airports).

Qualifying airlines for the validity period of the Network Incentive Scheme are afforded the following discounts:

Discount rate Operated airports	Incentive on qualifying Airport Charges at VNO	Incentive on qualifying Airport Charges at KUN	Incentive on qualifying Airport Charges at PLQ
Discount at two airports			
KUN and PLQ		-20%	-20%
VNO and PLQ	-20%		-20%
VNO and KUN	-20%	-20%	
Discount at three airports			
VNO, KUN and PLQ	-30%	-30%	-30%

The Minimum Thresholds of passengers carried on Scheduled flights and/or Scheduled charter flights are set for airlines (Airline Groups) as follows:

1. VNO – total 75.000 passengers per single Period;
2. KUN – total 100.000 passengers per single Period;
3. PLQ – total 20.000 passengers per single Period.

The Minimum Thresholds include both arriving and departing passengers per one Period.

The Incentives shall be calculated after each single Period for which airlines have successfully applied and will be granted to airlines which met the requirements under Network Incentive Scheme. For calculation of discounted charges, Enterprise will use reported data available to Enterprise at the end of the Period.

3.1.2. Eligibility

3.1.2.1. Airlines, which apply for the Network Incentive Scheme, shall meet all the requirements of this Network Incentive Scheme.

3.1.2.2. Airline operations under this Network Incentive Scheme include non-stop services from / to Lithuanian Airports. Services operating with a technical stop at an airport already served from / to Lithuanian Airports may in certain circumstances be subject to the Network Incentive Scheme.

3.1.2.3. The airline is in possession of the required traffic rights to fly the proposed routes.

3.1.2.4. The New Route Incentive and Abandoned Route Incentive of Vilnius and / or Palanga airports will operate in parallel to the Network Incentive Scheme. The Route Growth Incentive and Kaunas Airport Incentive Scheme are not applicable together with the Network Incentive Scheme.

3.1.2.5. Lithuanian Airports reserve the right to not grant incentives if airline is benefiting from other special commercial agreements with Lithuanian Airports.

3.1.2.6. The Network Incentive Scheme applies to Scheduled flights and Scheduled charter flights only. Charter flights are not subject to incentives.

3.1.2.7. With regard to code-sharing flights, only the operating carrier is eligible. The decisive factor therefore will be the flight number (no marketing carrier).

3.1.2.8. Airline or Airline Group that ceases operations at any Lithuanian Airport during any single Period will not be eligible to the Network Incentive Scheme rebate for the whole Period notwithstanding that it reached the Minimum Threshold before the termination of operations.

3.1.2.9. The Network Incentive Scheme will not be applied to airlines if these airlines or the airlines which belong to the same Airline Group have repeatedly breached the payment terms of Airport Charges to Lithuanian Airports.

4. DECISIONS ON ELIGIBILITY OF ROUTES AND OTHER CONDITIONS FOR PROVISION OF SUPPORT

4.1. Application

4.1.1. Airlines, which are willing to take benefit of the Network Incentive Scheme, must present a filled in written Application Form (See Appendix 1 of the Network Incentive Scheme). Application Form must be provided to Lithuanian Airports by email avia@ltou.lt. If an airline submits an application, the Network Incentive Scheme shall be applied with respect to all companies of the Airline Group.

4.1.2. The deadlines for submitting Application Form to Lithuanian Airports for each Period are as follows:

- Deadline for Period 1 – 25th of March 2018
- Deadline for Period 2 – 25th of March 2019

Application Form shall include the forecast of passenger traffic by route by month to be carried during the applied Period. In case of failure to submit the Application Form by the determined terms, the airline will have no right to apply for the Network Incentive Scheme for a respective Period.

4.2. Approval

4.2.1. An airline, which Application Form has been submitted and confirmed in compliance with the terms and conditions of the Network Incentive Scheme, will be sent the Approval Letter. The airline is not eligible to this Network Incentive Scheme until it has received an Approval Letter.

4.2.2. Once the Approval Letter for the Network Incentive Scheme has been issued, airline will be eligible to receive discount under the terms of the Network Incentive Scheme as long as the airline is compliant with the terms and conditions of the Network Incentive Scheme during the validity of the Network Incentive Scheme.

4.2.3. Lithuanian Airports reserves the right to revoke the Network Incentive Scheme for such airline and airlines which belong to the same Airline Group in the event the airline or the companies which belong to the same Airline Group fails to comply with the prerequisites subject to the Network Incentive Scheme qualifications for the entire time of validity of the Period for which it has applied.

4.3. Application of Discount

4.3.1. Payments due to Lithuanian Airports shall be made without deductions.

4.3.2. The discount on Airport Charges is set off against the airlines' account.

4.3.3. Any financial obligation arising during each Period towards the airline, as a result of Network Incentive Scheme, will be settled by way of a credit note at the end of each single Period for which airline has applied, unless specified differently in this Scheme. Such credit note will have no cash value.

4.3.4. By a separate arrangement between an airline and Lithuanian Airports, a different procedure for the issue and submission of invoices may be established to the airlines within the Airline Group.

5. AMENDMENT OR TERMINATION OF THE SCHEME

5.1. If an airline fails to meet the requirements set down in the Approval Letter, Lithuanian Airports will have the right to refuse application of Network Incentive to the airline.

5.2. Should the airline or other airlines of the same Airline Group fail to duly settle invoices for Airport Charges and any other fees and/or charges for services provided by any airport – VNO, KUN, PLQ, fail to comply with the General Terms and Conditions of Use of Lithuanian Airports (www.vno.lt, www.kun.lt, <http://www.palanga-airport.lt/>) or abuse this scheme due to the affiliation with the Airline Group, Lithuanian Airports will have the right to revoke the Approval of Network Incentive to the airline. For the sake of clarity, in case of revocation of the Approval, the discounts are not applicable for the whole single Period.

5.3. Should it be deemed necessary, Lithuanian Airports shall have the right to amend or terminate the Scheme. Lithuanian Airports will notify the airlines of such amendment or termination as well as the reasons thereof.

5.4. Application Forms submitted by the airlines under the Network Incentive Scheme are evaluated and recommendations on approval or rejection of the applications as well as other actions related to implementation of the Network Incentive Scheme shall be made to the Chief Executive Officer of Lithuanian Airports by the committee established by the order of the Chief Executive Officer of Lithuanian Airports.

Appendix 1

APPLICATION FORM

To be sent to avia@ltou.lt

Network Incentive Scheme													
Airline:													
IATA/ICAO code:													
Contact person details:													
Billing Address:													
E-mail Address:													
Application for the incentive (please mark):													
Operated airports: <i>(please mark)</i>	<input type="checkbox"/> VNO <input type="checkbox"/> KUN <input type="checkbox"/> PLQ												
Period of application:	<input type="checkbox"/> Period 1 (from 1 st April 2018 to 31 st March 2019) <input type="checkbox"/> Period 2 (from 1 st April 2019 to 31 st March 2020)												
Routes and planned passenger traffic by route by month: <i>(included or added to this document)</i>													
Route	Estimated number of passengers												TOTAL
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Incentive: <i>(please mark)</i>	<input type="checkbox"/> Two airports <input type="checkbox"/> Three airports												
Schedule:	Included or added to this document												
Date of Application:													