

PALANGA AIRPORT INCENTIVE SCHEME

To be in effect from 12 November 2017 to 11 November 2019

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1. PREAMBLE

This Incentive Scheme (hereinafter referred to as the **Incentive Scheme/Scheme**) is to assist the State Enterprise Lithuanian Airports in encouraging airlines to operate new routes to/from Palanga Airport and to promote the continued and sustainable development of route network and increase the volume of passengers.

2. DEFINITIONS

Abandoned Route shall mean 100% decrease of the overall seat capacity offered by all air carriers serving a scheduled route.

Airline Group shall mean 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 shall mean the charges that an airport collects for the use of PLQ services and as listed in the Incentive Scheme which are payable by the airline to the airport and on which the airport offers discounts.

Approved Route shall mean the route that has been granted the Route Support Approval Letter from Lithuanian Airports.

Commencement Date shall mean the actual date of the airline's first flight on a particular route or any other date that is coordinated and agreed on between the airline and Lithuanian Airports and considered the initial/commencement date.

IATA season shall mean the period of the year set by the International Air Transport Association (IATA); such periods are classified into IATA summer season (from the last Sunday of March of the current year to the last Saturday of October of the same year) and IATA winter season (from the last Sunday of October to the last Saturday of March of the next year).

Expiration Date shall mean three years from the commencement date of a particular route.

Lithuanian Airports shall mean the State Enterprise Lithuanian Airports.

New Route shall mean the Route that connects Palanga Airport (PLQ) and another airport that has not been operated by any airline for the time periods as stipulated below in the Incentive Scheme terms.

PLQ shall mean Palanga Airport.

Transfer Passenger shall mean the Passenger who arrives at the Airport by an aircraft and leaves it by another aircraft or the same aircraft only with a different flight number assigned in a period not exceeding 24 hours. In any case, only the Passenger who travels through the Airport on a single booking basis where the initial and the final destination airports are different shall be considered the Transfer Passenger.

3. INCENTIVE SCHEME

Three incentives will be introduced under this Incentive Scheme: New Route Incentive, Abandoned Route Incentive, Route Growth Incentive. The Incentive Scheme is aimed at commercial scheduled routes only and shall not apply to irregular routes (e.g. charter flights). 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.

3.1. New route incentive

Any airline that establishes a new scheduled route from PLQ shall be entitled to discounts on Airport Charges offered for a specific route in accordance with the criteria laid down below.

The discount is applicable to the following Airport Charges:

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

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

- Follow me charge
- Centralized infrastructure fees
- Any other fees and (or charges) that may be introduced during the validity of this Incentive.

3.1.1. Level of route support

In accordance with this Incentive, the discount on airport charges shall be applicable for routes operated on a year-round basis (not routes operated only for a certain IATA season) and seasonal routes (routes operated only for a certain IATA season).

3.1.1.1. Discounts on year-round routes (not for seasonal routes)

Approved routes operating on a year-round basis are afforded the following discounts for the first three years of operation:

Period of validity	Discount on the Airport Charges
1st year of operation	70%
2nd year of operation	60%
3rd year of operation	50%

3.1.1.2. Discounts on seasonal routes

Approved routes operating on a seasonal basis are afforded the following discounts for the first three years of operation. The start and end date of the respective summer and winter season are determined in accordance with the IATA scheduling seasons.

Period of validity	Discount on the Airport Charges
1st year of operation	60%
2nd year of operation	40%
3rd year of operation	20%

The Incentive shall be applicable for the duration of three years commencing on the Commencement Date and ending on the Expiration Date. Following the Expiration Date, the Airport Charges will be charged at the standard rate as valid and published on the Expiration Date.

3.1.2. Eligibility

3.1.2.1. The proposed route shall be aimed at increasing the route network and passenger traffic at Lithuanian Airports. This means that the route must give access to a market not adequately served directly, is expected to increase the overall number of passengers using the airport, and shall be a route that has a commercial benefit to Lithuanian Airports.

3.1.2.2. A route proposed by an airline will qualify as a New Route if scheduled flights on the proposed route have not been operated from PLQ directly over the past 12 months before the planned Commencement Date.

3.1.2.3. The minimum frequency requirement is 1 weekly return flight.

3.1.2.4. The proposed route shall be a non-stop service from PLQ. Services operating with a technical stop at an airport already served from PLQ may in certain circumstances be subject to the Incentive Scheme.

3.1.2.5. Seasonal routes must operate for the full IATA season. Lithuanian Airports reserves the right to approve a route that operates for a shorter duration than a full IATA season. Such routes may be considered and approved, if Lithuanian Airports considers that the relevant route provides a significant economic benefit and subject to any other objective circumstances.

3.1.2.6. The airline shall be in possession of the required traffic rights to fly the proposed route.

3.1.2.7. If a New Route proposed by an airline qualifies for more than one Incentive, only one Incentive will apply.

3.1.2.8. If the airline offers a new year-round route when a seasonal route connecting PLQ with the same airport as offered by the new year-round route is already receiving support on the basis of the Incentive Scheme, such offered new year-round route will not receive support.

3.1.2.9. If the airline offers a new seasonal route when a year-round route connecting PLQ with the same airport as offered by the seasonal route is already receiving support, such new seasonal route will not receive support.

3.1.2.10. If the airline offers a new year-round route or seasonal route connecting PLQ and any other airport by transferring its own route or the route of an airline within the same Airline Group or capacity from another airport managed by Lithuanian Airports, such newly offered route will not receive support.

3.1.2.11. In case the airline operating the approved new seasonal route extends it to operate on a year-round basis, such route shall be subject to the discounts on airport charges offered for new year-round routes for the extended period.

3.1.2.12. In case the airline operating the approved new year-round route reduces it to operate on a seasonal basis, such route shall be further subject to discounts on airport charges offered for new seasonal routes.

3.2. Abandoned route incentive

Any airline that restores operations on scheduled Abandoned Route from PLQ shall be entitled to discounts on Airport Charges offered for that route in accordance with the criteria laid down below.

The discount is applicable to the following airport charges:

- Departing passenger charge
- Aircraft landing charge
- Aircraft parking charge

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

- Follow me charge
- Centralized infrastructure fees
- Any other charges and (or) fees that may be introduced during the validity of this incentive.

3.2.1. Level of route support

3.2.1.1. In accordance with this Incentive, the discount on Airport Charges shall be applicable for routes operated on a year-round basis. Approved routes operating on a year-round basis, are afforded the following discounts for the first year of operations:

Period of validity	Discount on the Airport Charges
1st year of operation	50%

3.2.1.2. The Incentive shall be applicable for the duration of one year of operation period commencing on the Commencement Date. After expiry of such period, the Airport Charges will be charged at the standard rate as valid and published on that date.

3.2.2. Eligibility

3.2.2.1. A route will qualify as an Abandoned Route if it has been abandoned for more than 3 months prior to restoration of operations.

3.2.2.2. The minimum frequency requirement is 1 weekly return flight.

3.2.2.3. The airline shall be in possession of the required traffic rights to fly the proposed route.

3.2.2.4. If an Abandoned Route proposed by an airline qualifies for more than one Incentive, only one Incentive will apply.

3.2.2.5. If the airline offers to restore an Abandoned Route connecting PLQ and any other airport by transferring the route of its own or other airline within the same Airline Group or capacity from another airport managed by Lithuanian Airports, such Abandoned Route will not receive support.

3.3. Route growth Incentive (Incremental Passenger Growth)

Incentive on Route Growth applies seeking to stimulate passenger traffic growth at PLQ (both departing and transfer passengers).

3.3.1. Level of Route Support

At the end of each calendar year Lithuanian Airports will evaluate passenger increase on each route and will rebate 90% of departing passenger charges paid for the incremental passengers to

the airline and other airlines of the same Airline Group serving the route that demonstrated at least a 5% increase in overall passenger numbers on the route in the respective year.

The portion of the departing passenger charge will be returned to those airlines serving a corresponding PLQ route whose passenger number (including the number of passengers carried by other airlines of the same Airline Group) on such route increased at least 5% in the respective current year.

3.3.2. Eligibility

3.3.2.1. The Scheme will apply to commercial scheduled passenger route that carries a minimum of 1,000 passengers annually and operates to/ from PLQ.

3.3.2.2. Airline that ceases operations on the route completely during a calendar year period will not be eligible to Route Growth Incentive rebate relating to that route for the respective calendar year.

3.3.2.3. Airlines that operate on seasonal routes that are eligible for a Route Growth Incentive rebate will receive the rebate when the seasonal operation re-commences during the following calendar year provided that such airlines and other airlines of the same Airline Group have paid all payable charges.

3.3.2.4. This Incentive is not applicable to the new entrant airline on the route for the 1st year of operation on the respective route.

3.3.2.5. An airline restoring an Abandoned Route shall be entitled to participate in the Route Growth Incentive after 1 year from the date of the last flight on the Abandoned Route.

3.3.2.6. This incentive will be applied only to the proportion of passengers that the airline contributes to the passenger growth on a particular route in a reporting calendar year compared to the traffic delivered by the same airline and other airlines of the same Airline Group on the same route over the previous calendar year. However, in all cases the maximum cap for such rebate is set at the rate, equal to the overall growth of the particular route in a reporting calendar year.

3.3.2.7. Payments due to Lithuanian Airports shall be made without deductions. Route Growth rebate will be awarded after the end of the year by reducing the payable amounts.

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

4.1. Application

4.1.1. Airlines, willing to take benefit of New Route Incentive or Abandoned Route Incentive must present a filled in Application Form (See Appendix 1 of the Incentive Scheme).

4.1.2. Applications for Route Growth Incentive may be provided in a free form and sent by email avia@ltou.lt. Upon submitting an application by an airline, the Route Growth Incentive shall be applied with respect to all airlines of the Airline Group.

4.1.3. Applications for New Route Incentive or Abandoned Route Incentive must be submitted one calendar month before the Commencement Date at the latest.

4.1.4. Applications for New Route Incentive or Abandoned Route Incentive will not be accepted if they are submitted earlier than 6 calendar months prior to the Commencement Date. Applications sent in advance of the 6 calendar months will be considered only as expressions of interest.

4.1.5. If two or more airlines make an application for New Route Incentive or Abandoned Route Incentive within the same time frame in relation to the same route, approval will be given to the airline with the earliest Commencement Date.

4.1.6. Applications for the use of Route Growth Incentive during the current year must be submitted by the end of January of the current calendar year. Applications shall include the forecast of passenger traffic to be carried during the current calendar year. In case of failure to submit the application for Route Growth Incentive within the determined term, the airline will have no right to apply for Route Growth Incentive for the traffic growth generated by that airline or other airlines of the same Airline Group on a particular route during a respective period.

4.2. Approval

4.2.1. An airline whose application for a respective incentive has been submitted in compliance with the terms and conditions of the Incentive Scheme will be sent an Approval Letter of the offered route informing the respective airline of the satisfaction (application) of the terms and conditions for the support according to a respective incentive. The airline is not eligible to any of the Incentives under the Incentive Scheme until the date the Approval Letter is sent.

4.2.2. Once the Approval Letter for New Route Incentive or Abandoned Route Incentive has been issued, no other airline will be eligible to receive support under the terms of the Incentive Scheme for the same route as long as the approved airline is compliant with the terms and conditions of the Incentive Scheme.

4.2.3. If an airline which has received an Approval Letter for New Route Incentive or Abandoned Route Incentive fails to commence operations on the route on the Commencement Date it had committed to in the Application, such approval shall automatically expire after the Commencement Date, unless Lithuanian Airports and the airline agree on another Commencement Date before the (initially established) Commencement Date.

4.3. Application of Discount

- 4.3.1.** The discount on Airport Charges for the Approved New or Abandoned Routes is set off against the amount payable by the airline. In this regard the airline is invoiced at the discounted rate.
- 4.3.2.** The approved New Route or Abandoned Route will be applied the discounted charges for the duration of its participation in the Scheme.
- 4.3.3.** Route Growth Incentive will be awarded as rebate after year end in the form of a credit (it will have no cash value).
- 4.3.4.** Lithuanian Airports must be notified in case an airline changes its operated schedules and dates. Lithuanian Airports may unilaterally withdraw the approval, if the airline does not operate at a minimum frequency under the Scheme or does not comply with other terms and conditions of the Scheme.
- 4.3.5.** 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.** Seasonal routes will not receive support under the Scheme for the period during which services are not provided.
- 5.2.** Only one airline is eligible to receive support on each New or Abandoned Route.
- 5.3.** If an airline operating the route fails to meet the requirements set down in the Approval Letter, Lithuanian Airports will have the right to refuse to approve new applications for use of the Incentive Scheme submitted by such airline or other airlines of the same Airline Group.
- 5.4.** The Incentives under the Incentive Scheme will only be applicable (or will continue to be applicable) to the airline as long as the airline and other airlines of the same Airline Group complies with the terms and conditions of the Scheme and the General Terms and Conditions of Use of Lithuanian Airports (as published on www.palanga-airport.lt).
- 5.5.** Should the airline or other airlines of the same Airline Group fail to duly settle invoices for all Airport Charges and any other fees and (or) charges for services provided by PLQ, or fail to comply with the General Terms and Conditions of Use of Lithuanian Airports (www.palanga-airport.lt), or abuse this scheme due to the affiliation with the Airline Group, the airline may be subject to early termination of the approved Incentive by the decision of Lithuanian Airports.
- 5.6.** Under objective circumstances, Lithuanian Airports is entitled to amend this Scheme or its individual parts. Lithuanian Airports shall notify the airlines of the amendment to the Scheme and

shall point out the circumstances that determined the necessity for the changes in the Scheme or its part.

5.7. Applications submitted by the airlines under the Incentive Scheme shall be evaluated and recommendations on approval or rejection of the applications as well as other actions related to implementation of the Incentive Scheme shall be made to the Chief Executive Officer of Lithuanian Airports by the commission set up by the order of the Chief Executive Officer of Lithuanian Airports.

Appendix 1

APPLICATION FORM

Palanga Airport Incentive Scheme	
To be sent to avia@ltou.lt	
Application for the following incentive (please mark):	
Incentive	New Route
	Abandoned Route
Airline	
Point of contact (name, surname, position)	
E-mail address	
Billing address	
Route (IATA codes)	
Route to be operated	On a year-round basis
	On a seasonal basis
Flights per week	
Aircraft details	Aircraft Type
	Aircraft Capacity
Commencement Date	
Schedule	Attached
Date	