

APPROVED

By Order No. 1R-110
of September 27, 2019
of the
Chief Executive Officer
of SE Lithuanian Airports

VILNIUS AIRPORT INCENTIVE SCHEME

Valid from 27 September 2019 through 31 March 2022

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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 Vilnius Airport, to promote the continued and sustainable development of route network and increase the volume of passengers.

2. DEFINITIONS

Airline group means affiliated airlines including parent companies and subsidiaries, as well as companies in which 50% or more of the shares (shareholdings, stakes or other voting rights in the meeting) are owned, directly or indirectly, by the same company.

Airport charges shall mean the charges that an airport collects for the use of VNO 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.

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 in March of the current year to the last Saturday in October of the same year) and IATA winter season (from the last Sunday in October to the last Saturday in March of the next year).

Lithuanian Airports shall mean the State Enterprise Lithuanian Airports.

Long-haul route shall mean a route that connects VNO with another airport, when the distance between two airports exceeds 3,500 km.

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

Scheduled flight shall mean 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 to which all tickets are sold to the public via standard GDS or other publicly available booking systems, whereas in case of cargo flights bookable via the airline's cargo reservation systems or via a cargo forwarding agency.

Short-haul route shall mean a route that connects VNO with another airport, when the distance between two airports is less than or equal to 3,500 km.

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.

VNO shall mean Vilnius International Airport.

3. INCENTIVE SCHEME

Three incentives will be applicable under this Incentive Scheme: new route incentive, cargo flight frequency increase incentive, and route growth incentive. The Incentive Scheme is aimed at commercial scheduled routes only. 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 VNO 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.

For the avoidance of doubt, the discount shall not be applicable to the following charges:

- Aircraft parking charge;
- Follow me charge;
- Centralized infrastructure fees;
- Fee applicable to ensure proper services for disabled persons and persons with reduced mobility (PRM);
- Or 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 short-haul scheduled flight routes, long-haul scheduled flight routes and scheduled cargo flight routes.

3.1.1.1. Approved scheduled short-haul routes operating on a year-round basis (not the routes operated only for a certain IATA season) and seasonal routes (routes operated only for a certain IATA season) are afforded the following discounts for the first three years of operation:

Period of validity	New route discount on the departing passenger charge and the aircraft landing charge for the short-haul routes		
	for year-round routes		for seasonal routes
	During IATA summer season	During IATA winter season	
1 st year of operation	50%	100 %	50%
2 nd year of operation	40%	90 %	40%
3 rd year of operation	30%	80 %	30%

3.1.1.2. Approved scheduled long-haul routes are afforded the following discounts for the first five years of operation:

Period of validity	New route discount on the airport charges for the long-haul routes	
	Departing passenger charge	Aircraft landing charge
1 st year of operation	100 %	80%
2 nd year of operation	90 %	70%
3 rd year of operation	80 %	60%
4 th year of operation	50%	0%
5 th year of operation	50%	0%

3.1.1.3. Approved cargo flight routes are afforded the following discounts for the first two years of operation:

Period of validity	New route discount on the aircraft landing charge
1 st year of operation	50 %
2 nd year of operation	50 %

The start and end date of the respective summer and winter season are determined in accordance with the IATA scheduling seasons.

Following the expiration date of the incentives for scheduled short-haul routes, scheduled long-haul routes and scheduled cargo flight routes, as stipulated in this chapter, the airport charges valid on the expiration date will apply.

3.1.2. Eligibility

3.1.2.1. The proposed route shall be aimed at increasing the route network, as well as passenger and cargo traffic at Lithuanian Airports. This means that the route must give access to an airport not 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 VNO directly over the past 12 months before the planned commencement date.

3.1.2.3. The minimum frequency requirement for a short-haul route and cargo flight route is 2 weekly return flights, whereas the minimum frequency requirement for a long-haul route is 1 weekly return flight.

3.1.2.4. The proposed route shall be a non-stop service from VNO.

3.1.2.5. Seasonal routes must operate for the full IATA season. However, shall Lithuanian Airports consider that the relevant route provides a significant economic benefit and subject to any other objective

circumstances, Lithuanian Airports reserves the right to approve a route that operates for a shorter duration than a full IATA season.

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

3.1.2.7. Should a new short-haul route or a new long-haul route proposed by an airline qualify for more than one incentive, only one incentive will apply.

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

3.1.2.10. Should the airline offer a new year-round route or seasonal route connecting VNO 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. Cargo flight frequency increase incentive

3.2.1. Level of route support

Any airline that increases the frequency of scheduled cargo flights from VNO shall be entitled to discounts on airport charges offered for that route in accordance with the criteria laid down below. Under this incentive, discount on aircraft landing charge shall be applicable.

Period of validity	Discount on the aircraft landing charge for the additional cargo flight frequency
1 st year of operation	50 %
2 nd year of operation	50 %

After expiry of the validity period of this incentive, the Airport Charges will be charged at the standard rate as valid on the expiration date.

3.2.2. Eligibility

A flight will qualify as an additional frequency, if an airline increases the frequency of its weekly flights on the scheduled cargo route it operates.

The cargo flight frequency increase incentive shall only be applicable to the cargo flights which are additional to the currently operated flights. The cargo flights shall operate with an increased frequency on a year-round basis.

The frequency of weekly scheduled cargo flights of this specific route shall be compared with the respective flight schedule of the previous year (i.e. the flight schedule of summer season shall be compared with the flight schedule of summer season, whereas the flight schedule of winter season shall be compared with the flight schedule of winter season).

If an airline ceases operation of cargo flights at an increased frequency on the route, the flight frequency increase incentive will be terminated.

3.3. Route growth incentive (Incremental passenger growth)

Route growth incentive is to promote passenger traffic growth at VNO (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 VNO route whose passenger number (including the number of passengers carried by other airlines of the same Airline Group) on such route increased by 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 3,000 passengers annually and operates to/ from VNO.

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 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 charges payable to the airport.

3.3.2.4. This incentive is not applicable to the new entrant airline on the route for the first year of operation on the respective route.

3.3.2.5. This incentive will only be applied 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.

3.3.2.6. 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 (issuing a credit note).

4. DECISIONS ON ROUTE INCENTIVES AND OTHER CONDITIONS FOR PROVISION OF SUPPORT

4.1. Application

4.1.1. Airlines, willing to take benefit of the new route incentive, as well as cargo flight frequency increase incentive, must submit a filled in Application form (See Appendixes 1, 2, and 3 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 cargo flight frequency increase incentive must be submitted one calendar month before the commencement date at the latest.

4.1.4. Applications for new 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 only be considered as expressions of interest.

4.1.5. Should two or more airlines apply for new route incentive within the same time frame in relation to the same route, approval will be given to the airline which was the first to publish and launch ticket sales for the new route via the global distribution system or any other publicly accessible ticket booking system (in case of cargo flights, reservations being operated via cargo reservation systems of the airlines or the logistics companies).

4.1.6. Applications for 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. The airline, whose application for a respective incentive has been submitted in compliance with the terms and conditions of the Incentive Scheme, shall receive an approval letter, informing the respective airline of the compliance with 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. Should the airline which has received an approval letter for new route incentive fail 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 route incentive, as well as the cargo flight frequency increase incentive 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 discounted charges will be applicable to the approved new route, as well as the increased cargo flight frequency for the duration specified in the Incentive 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 route.

5.3. Should the airline operating the route fail to comply with 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 comply with all terms and conditions of the Scheme and the General Terms and Conditions of Use of Lithuanian Airports (as published on www.ltou.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 VNO, or fail to comply with the General Terms and Conditions of Use of Lithuanian Airports (www.ltou.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

**NEW ROUTE INCENTIVE APPLICATION FORM
SHORT - AND LONG - HAUL ROUTES**

Vilnius Airport Incentive Scheme	
Application to be sent to: avia@ltou.lt	
Airline	
Address	
Contact person (name, surname, position)	
E-mail address	
Billing address	
Route (IATA codes)	
Route to be operated	On a year-round basis
	On a seasonal basis
Flight distance	Less than or equal to 3,500 km
	Greater than 3,500 km
Flights per week	
Aircraft details	Aircraft type
	Aircraft capacity
Ticket sales launch date via standard GDS or other publicly available booking systems	
Commencement Date	
Schedule	Attached
Data	

By submitting this application, I hereby confirm that the information provided herein is correct and I agree to the terms and conditions of this Incentive Scheme.

Signature

APPENDIX 2

**NEW ROUTE INCENTIVE APPLICATION FORM
CARGO FLIGHT ROUTES**

Vilnius Airport Incentive Scheme	
Application to be sent to: avia@ltou.lt	
Airline	
Address	
Contact person (name, surname, position)	
E-mail address	
Billing address	
Route (IATA codes)	
Flights per week	
Aircraft details	Aircraft type
Ticket sales launch date via airline's cargo reservation systems or via a cargo forwarding agency	
Commencement Date	
Schedule	Attached
Date	

By submitting this application, I hereby confirm that the information provided herein is correct and I agree to the terms and conditions of this Incentive Scheme.

Signature

APPENDIX 3

CARGO FLIGHT FREQUENCY INCREASE INCENTIVE APPLICATION FORM

Vilnius Airport Incentive Scheme	
Application to be sent to: avia@ltou.lt	
Airline	
Address	
Contact person (name, surname, position)	
E-mail address	
Billing address	
Route (IATA codes)	
Flights per week	IATA summer season
	IATA winter season
Aircraft details	Aircraft type
Commencement Date	
Schedule	Attached
Date	

By submitting this application, I hereby confirm that the information provided herein is correct and I agree to the terms and conditions of this Incentive Scheme.

Signature
