

**LIMAK KOSOVO INTERNATIONAL
AIRPORT JSC**

**INCENTIVE PROGRAM
AT
PRISTINA INTERNATIONAL AIRPORT
“ADEM JASHARI”**

ARTICLE 1: OBJECT

This program aims to promote airlines and airport users in Pristina International Airport “Adem Jashari” (PIA) in order to increase its traffic movement and operational efficiency in full compliance with the related regulations of Civil Aviation Authority of the Republic of Kosovo and the Public Private Partnership Agreement signed between Republic of Kosovo and Limak Kosovo International Airport JSC (LKIA).

The terms and conditions of the Incentive which will be implemented in Pristina International Airport “Adem Jashari” is determined by this Program which is subject to the applicable charge system.

ARTICLE 2: SCOPE OF THE INCENTIVE PROGRAM

Within the scope of the Incentive Program which will be implemented starting from IATA Summer Season 2014, The New Route Development Incentive, The Additional Frequency Incentive, The High Traffic Volume Incentive, The Low Load Factor Support Incentive and The Marketing Support Incentive will be granted by Limak Kosovo International Airport JSC to the airlines operating at Pristina International Airport “Adem Jashari”.

1. THE NEW ROUTE DEVELOPMENT INCENTIVE

This incentive program has the purpose of stimulating routes to destinations not currently served directly from Pristina International Airport “Adem Jashari”(PIA), by sharing as LKIA, via this incentive the financial risk taken by the airlines when setting up the new routes.

Special Condition

Each airline which satisfies the abovementioned conditions can apply for the Incentive For New Route Development.

The conditions are:

1. Commercial air connection to an airport, which has not been served in 12 months immediately prior to the application, by flights without stopovers to the airport.
2. For the purpose of this Program, flights have to be operated by aircrafts with a Maximum Take-off Weight more than 20.000 kg (twenty thousand kilograms).
3. The route has to be operated non-stop, i.e. no transfers via other airports. Route with a technical stop, where no revenue passengers leave or embark the flight, is considered as a non-stop route.
4. An airline must fulfil the frequency requirements for a new destination, at least two days per week as per IATA season without any interruption.

Incentive Scheme

1. If an airline introduces a route to a new destination served by PIA, following conditions and charges apply:

INCENTIVE FOR NEW ROUTE		
Year	1	2
Discount on Landing Fee	100 %	50 %

2. THE ADDITIONAL FREQUENCY INCENTIVE

This incentive program has the purpose of encouraging the airlines to add additional flights to their existing flight schedules by implementing financial support for each additional flight which will be operated from Pristina International Airport “Adem Jashari”.

Special Condition

Each airline which satisfies the abovementioned conditions can apply for the Additional Frequency Incentive.

The conditions are:

1. The airline applying for the Additional Frequency Incentive has to have at least 200 Departure ATM in total at PIA for the calendar year 2013 unless it has 100.000 departure passengers in its first operation year starting from 2014.
2. The airline applying for the Additional Frequency Incentive has to add at least 1 additional frequency to the existing destination compared to the same IATA season of the previous year.
3. The additional frequency has to be operated without any interruption during an IATA season.
4. For the purpose of this Program, flights have to be operated by aircrafts with a Maximum Take-off Weight more than 20.000 kg (twenty thousand kilograms).
5. The route has to be operated non-stop, i.e. no transfers via other airports. Route with a technical stop, where no revenue passengers leave or embark the flight, is considered as a non-stop route.

Incentive Scheme

1. If an airline introduces an additional frequency to its existing destination, following conditions and charges apply:

INCENTIVE FOR ADDITIONAL FREQUENCY

Year	1
Discount on Landing Fee	100 %

3. THE HIGH TRAFFIC VOLUME INCENTIVE

This incentive program has the purpose of encouraging the airlines to keep and increase their existing traffic volume in PIA and encouraging new airlines to start to operate in PIA with a high volume of traffic by implementing direct financial support for each departing passenger for the volume of traffic which is above the specified range mentioned below.

Special Condition

Each airline which satisfies the abovementioned conditions can apply for the Additional Frequency Incentive.

The conditions are:

1. The airline applying for the Additional Frequency Incentive has to have at least 50.000 Departure Passenger in total at PIA for the calendar year 2014.
2. For the purpose of this Program, flights have to be operated by aircrafts with a Maximum Take-off Weight more than 20.000 kg (twenty thousand kilograms).
3. The routes have to be operated non-stop, i.e. no transfers via other airports. Route with a technical stop, where no revenue passengers leave or embark the flight, is considered as a non-stop route.

Incentive Scheme

1. Each airline having more than 50.000 departing passenger in PIA during the calendar year of 2014, shall have the following discount for each departure passenger:

<u>For The Departing Passenger Interval</u>	<u>Financial Support To Be Provided</u>
0-50.000 Pax	€0,00
50.001-100.000 Pax	€0,50
100.001-200.000 Pax	€2,00
200.001-300.000 Pax	€3,00
300.001-500.000 Pax	€5,00

For the sake of clarity, if an example would be given, an airline having 350.000 departing passenger would benefit a High Traffic Volume Incentive amounting of 775.000 Euro (25.000 Euro for the interval 50.001-100.000 Pax, 200.000 Euro for the interval 100.001-200.000 Pax, 300.000 Euro for the interval 200.001-300.000 Pax and 250.000 Euro for the 50.000 passenger from the 300.001-500.000 Pax Interval)

4. THE LOW LOAD FACTOR SUPPORT INCENTIVE

This incentive program has the purpose of supporting the airlines having low load factor ratio during their operation at Pristina International Airport “Adem Jashari”

Special Condition

Each airline which satisfies the abovementioned conditions can apply for the Low Load Factor Support Incentive.

The conditions are:

1. The airline load factor ratio for the specific destination has to be less than 50%.
2. The airline has to have uninterrupted operation at least during last 2 IATA season for the destination which is subject to the Low Load Factor Support Incentive.
3. For the purpose of this Program, flights have to be operated by aircrafts with a Maximum Take-off Weight more than 20.000 kg (twenty thousand kilograms).
4. The route has to be operated non-stop, i.e. no transfers via other airports. Route with a technical stop, where no revenue passengers leave or embark the flight, is considered as a non-stop route.

Incentive Scheme

- 1) If an airline has a load factor ration which is less than 50% for a specific destination, following conditions and charges apply:

INCENTIVE FOR LOW LOAD FACTOR SUPPORT

Year	1
Discount on Landing Fee Up to 50% Load Factor	100 %

As the Low Load Factor Support Incentive, the Landing Fee related to the difference between the realized load factor and the low factor ratio which has been determined as 50% will be deducted over the total landing fee. In order to determine the incentive amount, an ATM number will be calculated by using the capacity of the aircraft used for the destination subject to Low Load Factor Support Incentive and the landing fee incentive will be granted over the calculated Arrival ATM number for the year.

5. THE MARKETING SUPPORT INCENTIVE

This incentive program has the purpose of encouraging the airlines to add new destinations served by PIA by giving a lump sum marketing incentive amount for each new route and additional frequency.

Special Condition

Each airline which satisfies the abovementioned conditions can apply for the Marketing Support Incentive.

1. In order to apply for the Marketing Support For The Development of New Route, all the conditions stipulated in Article. 1.1 “The Special Conditions For The New Route Development Incentive” has to be satisfied.

Incentive Scheme

1. If an airline introduces a route to a new destination served by PIA, based on the submission of the related supporting document evidencing the marketing expenses made for the promotion of that new route, an amount up to 30.000 Euro will be granted as Marketing Support For The Development of New Route.

ARTICLE 3: BENEFICIARIES

1. The incentive program is directed towards all the commercial airlines without any discrimination carrying passengers and which operates or intends to begin operations at Pristina International Airport “Adem Jashari” and which fulfils all the requirements and criteria described in this Program.

ARTICLE 4: GENERAL TERMS AND CONDITIONS

1. LKIA has the right to non-enforcement of the incentive program if an airline does not follow defined conditions.
2. LKIA has the right to make the final decision whether an airline is eligible for an incentive or not.
3. LKIA reserves the right to review and amend the incentive scheme at anytime.
4. The total incentive amount to be applied to an airline will be calculated at the end of the each IATA season based on the realization figures. In order not to have the timely confirmation, the airlines will perform the quarterly reconciliations which confirm the traffic numbers and the outstanding balance with LKIA.
5. The new connections, the additional frequencies and their schedules included in the operating program must have their slots approved by the Slot Coordinator.
6. The Traffic Form is a document that supports the entire process of this program, in particular for the purpose of monitoring the airline and certifying the number of Air Traffic Movement.
7. This incentive program is new and if any unclear situations regarding the calculations arise, LKIA reserves the right to develop additional regulations to ensure achievement of the overall purpose of this programme.

ARTICLE 5: FINAL DECISION IN REGARD TO GRANTING OF THE INCENTIVE

The final decision concerning the eligibility of an airline for this incentive program is a solely responsibility of the LKIA. LKIA reserves the right, at any moment, to refuse or suspend granting an incentive in the following cases:

- When the airline does not ensure the prompt payment of any outstanding invoices to LKIA;
- When the PIA capacity has been reached or is at saturation point, Airport suspends the valid incentive program for the new airlines which will apply to the incentive program.

Besides, LKIA reserves the right at any moment, to refuse, suspend or change the structure of granting an incentive with a prior notice period of 60 days.

ARTICLE 6: DECISION

1. LKIA will analyse the submitted application and will reach a final decision within a period of 15 working days after having received the application.
2. The final decision will be announced to the applicant via registered mail or fax, with confirmation upon reception, to the applicant's head office or to the address stated on the Application Form.
3. If the application and its flight plan are approved, the announcement mentioned in Article 6.2 will include an initial estimate of the incentive amount to be granted.
4. The reception of LKIA's final decision by the terms of this article and the Application Form submitted do formalize the mutual acceptance of the conditions determined in this program.
5. Final agreement (Decision) for incentive program will be in a contract form in between LKIA and airline that apply.

ARTICLE 7: PAYMENT OF THE INCENTIVE

1. The incentive calculated and approved by the terms of this program will be paid through a deduction from the LKIA receivable amount from the airline company at the end of the each IATA season, based on one debit note to be issued by the airline.
2. The payment of the incentive will always depend on previous validation, that the airline complied with the operations planned on the Application Form and approved by LKIA, and also that at least 80% of the previously approved slots for the period in question were actually used.

ARTICLE 8: SPECIAL CONDITIONS

1. Should the application be approved, the parties will sign a written agreement that regulates the specific conditions of the incentive and that will include at least the following information:
 - Duration of the application;
 - Operating plan;
 - Initial estimate of the incentive amount, calculated in accordance with the proposed operating plan;
 - Method and deadline for granting the incentive.

2. Any changes to the conditions initially established for granting the incentive shall be duly amended and become an integral part of the document mentioned in Article 6.1.

ARTICLE 9: SUPERVISION

1. The Program will be monitored and controlled based on the detailed plan outlining the series of operations covered by the incentive, as well as on the traffic forms mentioned in article 4.6.

ARTICLE 10: SANCTIONS

In order to be qualified for the incentive, if an airline misuses with its flight program for each period either single-handed or as part of a combined effort with other airlines, it will be disqualified.

ARTICLE 11: VALIDITY

The present Program is exclusively regulated by Kosova's law, the regulations of Civil Aviation Authority of the Republic of Kosovo and the Public Private Partnership Agreement signed between Republic of Kosovo and Limak Kosovo International Airport JSC (LKIA). It is effective from March 30th 2014 until March 29th 2015, unless otherwise advised by LKIA.

In order to be part of this program, airlines may apply only within one year time term frame from March 30th 2014 until March 29th 2015.