

INCENTIVE PROGRAMMES OF VIENNA AIRPORT

effective from January 01, 2018



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TRANSLATION ONLY, THE GERMAN TEXT SHALL PREVAIL

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(hereinafter referred to as "FWAG")

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1 Introduction

1.1 Objectives and Types of Incentives

FWAG informs herewith all airlines about a fair, transparent and non-discriminatory incentive programme designed to increase the number of frequencies or routes and to strengthen the hub function of Vienna Airport by airlines - also in the wake of crisis and the ensuing consequences for the aviation industry.

There are following types of incentives:

- the **Growth Incentives**, such as:

- Destination Incentive for new destinations;
- Frequency Incentive for new or additional frequencies and
- High Frequency Incentive for a certain number of frequencies per week.
- Success Based Incentive for additional Growth

and as a **PICK & CHOOSE** - Option

- the **Transfer Incentive** for transfer passengers or

- the **Volumen-Incentive** for generated passenger volume for based airlines at Vienna Airport.

Above mentioned incentives are designed to promote both the portfolio of offered routes as well as to develop the number of connections and to sustain generated passenger volume.

1.2 Agreement

- In order to benefit from this incentive scheme, an agreement can be concluded between FWAG and the airline concerned. In this agreement the conditions for the refund of a certain incentive are defined.
- The final settlement shall be made according to an agreement with the airline.
- An airline shall not have a legal claim to concluding an incentive agreement. However, for reasons of competition regulations all airlines will be treated equally according to the stipulated provisions.
- With regard to code-sharing flights, only the operating carrier is eligible. The decisive factor therefore will be the flight number (no marketing carrier).

FWAG reserves the right to revoke or amend at any time and without justification this Incentive Programme or parts thereof. Also, FWAG explicitly reserves the final decision in its entirety concerning qualification for all incentives, excluding any recourse to legal remedies.

2 Growth Incentive

2.1 Conditions of Eligibility for the Destination Incentive, Frequency Incentive and for the High Frequency Incentive

- The incentive scheme applies to taking up scheduled services to new destinations or introducing additional scheduled frequencies on the basis of a city pair or – in case of intercontinental services – on the basis of an airport pair.
- Flights operating intercontinental sectors after transiting through a European airport shall be considered long haul services provided that both the aircraft employed (registration) and flight number remain unchanged.
- Flights
 - using Vienna Airport as transit point and
 - continuing to an intercontinental final destination and
 - not changing both the aircraft employed (registration) as well as the flight numbershall receive the applicable growth incentive of the intercontinental final destination.
- 80% of the calculated scheduled frequencies must be actually operated.
- All types of incentives apply exclusively to new routes or additional frequencies in certain traffic regions. A definition of these regions shall be found in the incentive description and in the annex.
- The respective services shall be during the entire term of contract:
 - In case of passenger flights published and bookable in the worldwide computer reservation systems or on the airline's website.
 - In case of cargo flights published and bookable via the airline's cargo reservation systems or via a cargo forwarding agency.
- The incentive amount shall be a percentage of the landing fee (variable and fixed part) of the frequencies eligible for the incentive scheme charged by FWAG according to the current airport charging regulations.

2.1.1 Destination Incentive

- The Destination Incentive has been designed to support operations to new destinations.
- The Destination Incentive applies to all flights in all regions.
- A new destination is per definition a city or – in case of an intercontinental flight – an airport, which has not been served from Vienna Airport for the past two flight schedule periods or for at least 12 months by a direct flight (non-stop or via intermediate points) by any airline. For clarification: In case a destination is discontinued by an airline, the Destination Incentive can be requested by any airline no earlier than after a 12 month period. In that case summer schedule is compared with summer schedule of the previous year, winter schedule with the winter schedule of the previous year.

- Furthermore - the first airline to publish and open reservations for the respective flight to the new destination in the worldwide computer reservation systems or on the airline's website (or the airline's cargo reservation systems or via a cargo forwarding agency) is eligible.
- Extensions of existing routes beyond existing destinations (that means an existing destination becomes an intermediate point) shall not be considered a new destination (route). It can only be considered an additional frequency to the destination which has previously been served by a direct flight.
- Changes in routing in the course of which an existing destination stays included shall not be considered a new destination (route).
- The Destination Incentive in general ends after a period of 4 years.
- The Incentive shall be applied for flights to new destinations.

Refund of the landing fee:

	all flights
first year	100%
second year	80%
third year	60%
fourth year	40%

2.1.2 Frequency Incentive

- The Frequency Incentive is designed to promote additional flight frequencies.
- The Frequency Incentive applies to all flights to the regions Eastern Europe and Intercontinental.
- If an airline introduces a new route that has already been served by another airline from Vienna International Airport or increases the number of frequencies to a destination served by this airline this shall be considered an additional frequency. The regular/scheduled frequencies to this destination are compared with the respective flight schedule periods of the previous year.
- In principle a new frequency shall be calculated based on comparing regular/scheduled frequencies to this destination with the respective flight schedule periods of the previous year (i.e. summer schedule with summer schedule, winter schedule with winter schedule). The Frequency Incentive applies exclusively to additional frequencies that are served in addition to the number of frequencies currently served.
- Should the operating carrier change in case of cooperation flights without increasing the actual number of frequencies, this shall not be considered an additional frequency.
- The Frequency Incentive ends 2 years after the increase of the number of frequencies to the respective destination, in case of a new carrier on a long haul route after 3 years.

Refund of the landing fee:

Frequency Incentive	all flights Eastern Europe & intercontinental	
	all flights Eastern Europe & intercontinental	New Carriers long haul
first year	60%	80%
second year	40%	60%
third year	n.a.	40%

2.1.3 High Frequency Incentive

- The High Frequency Incentive applies to the development of frequencies when exceeding a defined number of frequencies all frequencies of a flight operation to a certain destination are eligible for the incentive.
- The High Frequency Incentive is defined exclusively as:
 - High Frequency Incentive Eastern Europe (passenger flights only)
 - High Frequency Incentive Intercontinental (passenger and cargo flights)
- The number of flights under consideration is defined as a defined number of scheduled/regular flights per week during a defined flight schedule period.
- Only the respective part of the landing fee which is not part of the Destination- or Frequency Incentive is eligible for the High Frequency Incentive.

Refund of the Landing Fee:

	all flights	Pax flights
	Intercontinental	Eastern Europe
as of 3 frequencies/ week	20%	n.a.
as of 5 frequencies/ week	30%	n.a.
as of 7 frequencies/ week	40%	20%
as of 10 frequencies/	45%	20%
as of 14 frequencies/	50%	30%
as of 21 frequencies/	50%	40%
as of 28 frequencies/	50%	50%

2.2 Conditions of Eligibility for the Success Based Incentive

- The **objective of the cooperation** is:
 - to generate additional growth of passenger numbers,
 - to strengthen the local market on both sides of the route (NOT leakage of traffic via other hubs), respectively increasing the local traffic,

- to opening unserved markets as well as developing underserved markets,
 - to further stimulate growth on existing served markets to balance the incoming and outgoing traffic on these markets,
 - to boost traffic originating from VIE's catchment area, which includes Austria, Slovakia, Hungary and Czech Republic.
- **Criteria and parameters** for the incentive amount:
- Based aircraft at Vienna Airport or -the confirmation in writing to base aircraft at Vienna Airport in the near future
 - the capacity (e.g. AC Type, seats, frequencies, number of routes & number of based aircraft)
 - Effective passenger growth (departing, without transit) of the airline compared to the immediately preceding year considering compensation effects
 - Capacity Convenient Schedules
 - the Ø expected SLF (Seat Load Factor)
 - the importance of the market (in connection with increase of passenger numbers and revenues within the frame of the cooperation agreement)
 - the route-portfolio (unserved, served, underserved)
 - the incoming/outgoing share (Importance for Tourism, leakage via other hubs)
- **Miscellaneous:**
- The validity period of this growth incentive depends on the planning horizon of Vienna Airport and the sustainability of the traffic growth (generally 3 years)
 - Individual start-up threshold of the amount according to the degree of criteria and parameters fulfilled
 - minimum passenger growth of the airline 10.000 departing passengers ex VIE
 - Yearly Re-calculation of both the passenger growth and the continuation of incentive generated in the first year
 - decline of the incentive amount in subsequent years
 - Effects of compensation: Compensation traffic shall be excluded from this incentive. Compensation traffic refers to any traffic of an existing route and/or capacity that is transferred partly or in total from one airline to another airline, even within a corporate group or alliance. For the avoidance of doubt: Vienna Airport basically incentivises only the *net passenger growth*.

3 Transfer Incentive

- **Pick & Choose** → ex ante possibility to choose between transfer incentive and volume incentive (Point 4) according to strategic focus of the airline (hub function vs development of total traffic)

3.1 Conditions of Eligibility for the Transfer Incentive

- The transfer Incentive applies to the development of transfer traffic.
- When calculating the Transfer Incentive only the departing transfer passengers are counted, for which an airline has paid the passenger service charge according to the currently valid Airport Charges Regulations of FWAG.
- A transfer passenger is a traveller who, travelling in a logical direction on board of scheduled flights, changes at Vienna Airport
 - from one aircraft to another aircraft of the same airline with a different flight number or
 - from one aircraft of an airline to another aircraft of a different airline.
- The transfer must take place within a period ranging from the Minimum Connecting Time to a maximum of 24 hours after the scheduled arrival of the inbound flight. Return Check-Ins are excluded from the Incentive.

3.2 Services provided by FWAG

The Transfer Incentive per 100 departing transfer passenger amounts to € 1.250,--.

4 Volume Incentive

- **Pick & Choose** → ex ante possibility to choose between transfer incentive (Point 3) and volume incentive according to strategic focus of the airline (hub function vs development of total traffic)

4.1 Conditions of Eligibility for the Volume Incentive

- Objective is the promotion of generated passenger volume of airlines based at Vienna Airport, to sustain this volume in the long term
- Precondition is a base at Vienna Airport or the confirmation in writing to base aircraft at Vienna Airport in the near future
- “Base” means at least 3 aircraft based at Vienna Airport
- Compensation traffic shall be basically excluded from this incentive. Compensation traffic refers to any traffic of an existing route and/or capacity that is transferred partly or in total from one airline to another airline, even within a corporate group or alliance. For the avoidance of doubt: Vienna Airport basically incentivises only the *net passenger volume*.

4.2 Amount of the Volume Incentive

- Application according to threshold of minimum 0,75 million departing passengers
- Scaling and classification of the incentive amount according to generated passenger volume of the actual year.
- refund per 100 departing passengers (without transit)

Pax departing/year	Amount per 100 Pax departing
0	- €
750.000	540,--
1.000.000	620,--
1.250.000	700,--
1.500.000	780,--
1.750.000	860,--

ANNEX

Definition of eligible Traffic Areas

- Cities in the following countries shall be considered **Eastern European destinations**:
 - Albania
 - Armenia
 - Azerbaijan
 - Belarus
 - Bosnia and Herzegovina
 - Bulgaria
 - Croatia
 - Czech Republic
 - Estonia
 - Georgia
 - Hungary
 - Kosovo
 - Latvia
 - Lithuania
 - Macedonia
 - Moldova
 - Montenegro
 - Poland
 - Romania
 - European Russia
 - Serbia
 - Slovakia
 - Slovenia
 - Ukraine

- **Long-haul (intercontinental) destinations** are all destinations outside of Europe (in geographical terms) with the exception of (i) overseas destinations forming part of European countries and (ii) within a range of 4.000 km from Vienna Airport. These destinations are considered as European destinations (e.g. the Canary Islands are classified as a Western European destination).

- **Western European destinations** are all destinations within European countries which are not defined as Eastern European countries.

- The assignment of countries per region is based on the IATA classification.