

ANA Traffic Growth Incentives Programme

Terms and Conditions

1. Introduction

The ANA Traffic Growth Incentives Programme (hereinafter referred to as the Programme) aims to stimulate the growth of commercial air traffic at ANA airports by encouraging passenger traffic growth on existing operations and the opening of new frequencies and new airport routes.

This Programme has been designed to embolden airlines to develop their services across the ANA airports network, to promote traffic growth and to grant a more efficient use of airport capacity.

2. Definitions

- 2.1. **Airline:** Any airline company with a valid air transport operator license issued by a civil aviation authority.
- 2.2. **Airport:** The airports of Porto (OPO), Faro (FAO), Beja (BYJ), Ponta Delgada (PDL), Horta (HOR), Santa Maria (SMA), Flores (FLW), Madeira (FNC) and Porto Santo (PXO).
- 2.3. **Market:** Airport or number of airports that have, to a large extent, the same city or region market and are subject to consolidation for the purposes of market growth analysis and incentives requirements evaluation.
- 2.4. **Eligible Passengers:** Passengers departing on a commercial flight and subject to the payment of the passenger service charge.
- 2.5. **ATM / Frequency:** Air traffic movement corresponding to one landing plus one take-off.
- 2.6. **Aircraft Capacity:** Number of seats available in the aircraft used for an operation.
- 2.7. **Incremental Departing Passengers:** Increase of Eligible Passengers in relation to the previous corresponding period on Eligible flights for the purposes of this Programme and adjusted according to the mechanisms set out in 8.
- 2.8. **IATA Season:** Periods of the year set by the International Air Transport Association (IATA), designated as IATA summer (from April to October) and IATA winter (from November to March).
- 2.9. **Incentive:** Financial support awarded by ANA, pursuant to the principle of the private investor, to an Airline developing its passenger traffic at an Airport according to the terms and condition of this programme.
- 2.10. **Existing Frequency:** Number of scheduled flights (ATMs) operated in the previous homologous IATA season (excluding ATM's under New Route Incentives) set by ANA.
- 2.11. **New Frequency:** Number of additional scheduled frequencies when compared with the existing frequencies on the previous homologous IATA season.
- 2.12. **New Route:** A route that is not an existing Airport route or has not been previously announced by any Airline and that serves directly a new city or Market destination that will increase the connectivity and the overall passenger traffic to ANA Airport, and that has not been served in the previous equivalent IATA season with the

minimum frequencies defined in the terms of this Programme. Airports shall not be considered as a new destination if they serve a city Market already served by another airport.

Considering that Markets served from an airport may be different according to the characteristics of each particular origin/destination city, ANA will base its final decision about potential new routes serving existing city Markets in a detailed market assessment taking into consideration the following criteria: ANA Airports marketing strategy and business model; Market volume; destination airport location; airline Market segments served at the time and the route's expected contribution to increasing ANA Airports passengers traffic. If, following the assessment, the route is considered as new, ANA will monitor the destination market performance and will apply to the Incentive the Market growth mechanism.

- 2.13. **Off-Peak:** Period of the day during which the declared capacity of the Airport presents no limitations to the growth in passenger traffic.
- 2.14. **Peak:** Period of the day during which the declared capacity of the Airport presents some limitations to the growth in passenger traffic.
- 2.15. **Route Level 1 and 2:** An Existing or a New Route to a destination airport within a distance range as set out in Annex 1.

3. Programme scope

- 3.1. The Programme is open to all Airlines that wish to develop their operations in the Airports and that comply with the terms and conditions of this Programme.
- 3.2. The Programme is applicable in the Airports as defined in 2.2.
- 3.3. The Programme is not applicable to Public Service Obligation routes.
- 3.4. There is no consolidation of ANA's network Airports in the calculation of the Incentives. However, ANA reserves the right to consolidate its network Airports if there is substantial evidence of significant substitution of airline operations between ANA Airports.
- 3.5. *Ad hoc* scheduled flights and non-scheduled charter flights are not eligible for Incentives from this Programme.
- 3.6. Notwithstanding paragraph 3.5. *supra*, charter operations may be eligible for the Incentive in the categories of New Frequency and New Route if they have a published schedule and if, after a market assessment, the economic benefits and the growth in passengers driven by those operations to the Airports are clearly demonstrated. The market assessment will be based on the following criteria: Tour Operator / Airline business case; identification of Tour Operators promoting the route; proportion of "seat only" that will be directly sold via distribution channels; the route's expected contribution to increasing the number of Eligible Passengers. ANA reserves the right to model the Incentive according to the assessment result in terms of its expected commercial benefit.

4. Programme outline

- 4.1. The Incentive structure, its terms and conditions is applicable in the Airports. However, due to the specific market characteristics and business goals, the

Incentives values and its criteria may differ between Airports according to what is presented in the Annex 1.

- 4.2. The Programme defines three categories of Incentives:
 - a) Incentive for Operational Efficiency;
 - b) Incentive for Opening a New Frequency;
 - c) Incentive for a New Route.

5. Incentive for Operational Efficiency

5.1. Specific conditions

- 5.1.1. The Incentive for operational efficiency aims to reward the Incremental Departing Passengers on the Airline's existing frequencies, defined as all the frequencies operated on the previous homologous period (IATA Season), excluding New Routes under this Incentive Programme. The Incentive consists of:
 - a) a basic incentive for Incremental Departing Passengers;
 - b) a set of mark-ups (to the basic incentive) depending on the profile of the passenger growth.

- 5.1.2. The number of Incremental Departing Passengers in the analysed period is calculated using the Market growth adjustment mechanism described in 8.

5.2. Basic Incentive

- 5.2.1. For each Incremental Departing Passenger carried by the Airline, a basic incentive will be awarded according to the amounts set out in Annex 1.
- 5.2.2. This incentive is applicable to Airlines with an annual positive variation of Incremental Departing Passengers valid for this category of incentive.

5.3. Aircraft Capacity mark-up

- 5.3.1. For each Incremental Departing Passenger generated as a result of an increase in Aircraft Capacity, a mark-up to the basic incentive will be added according to the amounts set out in Annex 1.
- 5.3.2. This situation occurs when the seats offer in the current period is higher than the seats offer on the previous homologous period (due to an Aircraft Capacity increase), when analysing the Airline's total operation.
- 5.3.3. This incentive is applicable to Airlines with an annual positive variation of Incremental Departing Passengers valid for this category of incentive.

5.4. Annual Seasonality mark-up

- 5.4.1. For Incremental Departing Passengers in a specific period of the year, a mark-up to the basic incentive' will be added according to the amounts set out in Annex 1.
- 5.4.2. The annual seasonality mark-up is applicable to Airlines with a positive variation of Incremental Departing Passengers valid for this category of incentive during the period that the mark-up refers to. More than one annual seasonality mark-up per Airport may exist.

6. Incentive for opening a New Frequency

6.1. Specific conditions

- 6.1.1. The Incentive for opening a New Frequency aims to reward the Incremental Departing Passenger traffic growth through the opening by an Airline of new scheduled frequencies on an existing Airport route.
- 6.1.2. To be eligible for the New Frequency incentive, the Airline is required to increase the flight Frequency (compared to the previous homologous IATA season) during a minimum number of weeks, according to the conditions set out in the Annex 1.
- 6.1.3. This incentive is for a period of one year, beginning on the date of commencement of the New Frequency.
- 6.1.4. The Incentive consists of:
 - a) a basic incentive per Eligible Passenger on New Frequencies
 - b) a set of mark-ups (to the basic Incentive) per Eligible Passenger depending on the profile of the New Frequencies operated.
- 6.1.5. The Incentive may differ based on the New Frequency flight schedule (Peak/Off-Peak).
- 6.1.6. Requirements and Incentives are evaluated by Market and by IATA season.
- 6.1.7. The number of Incremental Departing Passengers of the New Frequency in the analysed period is calculated using the Incentive adjustment mechanisms described in 8.
- 6.1.8. 'Ad-hoc New Frequencies' are not considered for any category of Incentives.
- 6.2. Basic Incentive
 - 6.2.1. For each Incremental Departing Passenger carried on the New Frequency, the Airline will be awarded a basic Incentive according to the amounts set out in Annex 1.
- 6.3. Annual Seasonality mark-up
 - 6.3.1. For Incremental Departing Passengers in a specific period of the year, a mark-up to the basic Incentive will be added according to the amounts set out in Annex 1.
 - 6.3.2. The annual seasonality mark-up is applicable to Airlines with a positive variation of Incremental Departing Passengers valid for this category of Incentive during the period that the mark-up refers to. More than one annual seasonality mark-up per Airport may exist.
- 6.4. Market mark-up
 - 6.4.1. For Incremental Departing Passenger to designated Markets, a mark-up to the basic Incentive will be added according to the amounts set out in Annex 1.
 - 6.4.2. Two levels of route mark-ups may apply:
 - a) Level 1
 - b) Level 2

7. Incentive for opening a New Route

- 7.1. Specific conditions
 - 7.1.1. The Incentive for opening a New Route aims to reward the passenger's traffic growth in the Airport through the opening of new scheduled routes.

- 7.1.2. To be eligible for the New Route Incentive, Airlines must operate a minimum flight Frequency during a minimum number of weeks, according to the conditions set out in Annex 1.
- 7.1.3. This Incentive is awarded as of the commencement date of the New Route for all operations on the New Route over a period of consecutive homologous IATA Seasons as defined in Annex 1.
- 7.1.4. This Incentive consists of:
 - a) a basic Incentive for New Route departing passengers;
 - b) a set of mark-ups (to the basic Incentive) depending on the profile of the New Route operation.
- 7.1.5. The Incentive may differ based on the New Route flight schedule (Peak/Off-Peak).
- 7.1.6. Requirements and Incentives are evaluated by Market and by IATA season.
- 7.1.7. 'Ad-hoc New Routes' are not considered for any category of Incentives.
- 7.2. Basic Incentive
 - 7.2.1. For every departing passenger carried on the New Route, the Airline will be awarded a basic Incentive according to the amounts set out in Annex 1.
- 7.3. Annual Seasonality mark-up
 - 7.3.1. For passengers departing in a specific period of the year, a mark-up to the basic Incentive will be added according to the amounts set out in Annex 1.
 - 7.3.2. More than one annual seasonality mark-up per Airport may exist.
- 7.4. Market mark-up
 - 7.4.1. For passengers departing to designated Markets, a mark-up to the basic Incentive will be added according to the amounts set in the Annex 1.
 - 7.4.2. Two levels of route mark-ups may apply:
 - a) Level 1
 - b) Level 2

8. Incentive adjustment mechanisms

- 8.1. A Market growth adjustment will apply to the Incentive as follows:
 - 8.1.1. The Airline Incremental Departing Passengers adjustment according to the Market performance is applicable to the Operational Efficiency Incentive and the New Frequency Incentive for the Incremental Departing Passengers calculation. For Incentive purposes, this result is referred to as Adjusted Incremental Passengers.
 - 8.1.2. This mechanism is applied by Market and by IATA season.
 - 8.1.3. If all the Airlines operating in the Market grow, all Incremental Departing Passengers will be considered.
 - 8.1.4. If the number of passengers on the Market decreases, for growing Airlines the Incremental Departing Passengers will not be considered.
 - 8.1.5. If the Market grows but not all the Airlines in that Market grow (some Airlines grow, some decrease), for the Airlines growing, ANA will apply a proportional reduction on the Incremental Departing Passengers by applying to the

growing Airlines a ratio that is referred to as Market Growth Adjustment Factor to calculate the Adjusted Incremental Departing Passengers according to the following formulas:

Market Growth Adjustment Factor = *Total Incremental Departing Passengers on the Market ÷ Sum of Incremental Departing Passengers of growing Airlines on the Market*

Adjusted Incremental Departing Passengers = *Airline Real Incremental Departing Passengers in the Market * Market Growth Adjustment Factor*

- 8.2. Airline growth adjustment will apply to the Incentive as follows:
- 8.2.1. This mechanism adjusts the New Frequency Incentive if the Airline decreases passengers on Existing frequencies.
 - 8.2.2. The total New Frequency Incentive is adjusted according to the following formula:

Adjusted New Frequencies Incentive = *New Frequencies Incentive + (Real Total Passengers reduction on Existing Frequencies * New Frequencies Basic Incentive)*

9. Application procedure

- 9.1. Applications must be submitted at least two weeks in advance of the start of the corresponding IATA season.
- 9.2. The application process shall be instructed by the Airline that, for this purpose, must submit to ANA the specific application form.
- 9.3. The Airline must submit one application per Airport per IATA season. The Airline will select the categories of Incentive for which it is applying and, in the case of New Routes, will list the corresponding routes to be considered for the Incentive.
- 9.4. ANA will analyse the application submitted and will notify the Airline.
- 9.5. The Airline must ensure that flight operations will be conducted under the terms and conditions set forth in the application process and shall report immediately to ANA any change or event undermining the assumptions relating to the application.
- 9.6. All decisions made by ANA are final.

10. Financial conditions

- 10.1. The Incentive to be granted to the Airline under this Programme takes the form of a non-reimbursable financial contribution.
- 10.2. Incentives will be calculated and paid at the end of each IATA season during the relevant period of validity.
- 10.3. The minimum amount of the Incentive is €2.000.

- 10.4. ANA is responsible for the calculation of the Incentive to be awarded to the Airline using its traffic statistic data sources.
- 10.5. The amount of the Incentive will be communicated to the Applicant listed on the application form.
- 10.6. Payment of the Incentive will be made no later than 60 days after the end of the corresponding IATA season.
- 10.7. Under no circumstances will the Incentive paid under this Programme correspond to a discount or credit to compensate or to be deducted from ANA Airport charges.
- 10.8. Flights cancelled for any reason do not qualify for the award of Incentive.

11. Term and termination

- 11.1. The Programme is effective from the date of its announcement for application purposes.
- 11.2. The Incentives to be paid under the present Programme shall enter into force at the beginning of the IATA Summer 2018 in Annex 1.
- 11.3. The Programme is valid for a three-year period from its entry into force. However, each year, ANA may amend the following points: the Airports covered by the Programme; the value of any Incentive, mark-ups and mechanisms of adjustment.
- 11.4. The Programme amendments do not terminate multiannual commitments assumed by ANA under the present Programme.
- 11.5. ANA may at any time revoke this Programme.
- 11.6. ANA expressly declines any liability, contractual or other, resulting from any modification or suspension of the Programme.

12. General conditions

- 12.1. The Airline is responsible for obtaining the necessary Airport slots with the Slot Coordination.
- 12.2. Route changes between alliance and joint ventured Airlines or routes which have been operated by an Airline acquired, under a merger or take-over, will not be considered under this reward system.
- 12.3. Airlines with different IATA airline codes but operating as a single commercial entity will be considered as a single Airline.
- 12.4. For the purposes of this reward system, the following operations and Airlines are excluded:
 - 12.4.1. Operations by aircraft non-compliant with Annex 16, Chapter 3 of Chicago Convention and Regulation (EC) n°. 216/2008 of the European Parliament and the Council of 20th February 2008, as well as all black-listed Airlines pursuant to Regulation (EC) n°. 2111/2005 of the European Parliament and the Council of 14th December 2005 on the establishment of a Community list of air carriers subject to an operating ban within the Community and to regular updates as published by the European Commission;
 - 12.4.2. Any Airline which is in debt or delay regarding payment of any invoices issued by ANA.

- 12.5. ANA reserves the right to refuse any reward to the Airline not complying with the terms and conditions set forth herein.

Annex 1 – Specific Airport Rules and Incentives

Specific Airport Rules and Incentives

Porto Airport (OPO)

Date published	January 2018
Application start date	April 2018

Eligibility conditions

Incentive	Minimum Freq./week		Minimum weeks	
	Summer	Winter	Summer	Winter
New Frequencies	1	1	10	5
New Routes	1	1	10	5

Max. number of scheduled freq. in the previous season to be considered a New Route: 10 in Summer and 5 in Winter.

Off-Peak Periods

Off-Peak periods (local time)	Applicable			
	Summer	Shoulder	Winter	Low Winter
Not Applicable	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Basic Incentive mark-ups

Mark-up criteria	Applicable		
Seasonality	Shoulder		
	Winter	x	IATA Winter
	Low Winter		
Market Level 1	Route sector distance between 1 000 nm and 2 300 nm		
Market Level 2	Route sector distance higher than 2 300 nm		

Incentives amount

Incentive		Op. Efficiency		New Freq.		New Routes	
		Peak	Off Peak	Peak	Off Peak	Peak	Off Peak
Basic Incentive		1,0 €		2,0 €		4,5 €	
Seasonality Mark-up	Shoulder	-		-		-	
	Winter	-		1,0 €		2,0 €	
	Low Winter	-		-		-	
Market Level Mark-up	Level 1	-		1,0 €		3,0 €	
	Level 2	-		3,0 €		4,0 €	

Incentives duration

Incentive type	Market	Incentive amount proportion		
		Year 1	Year 2	Year 3
Op. Efficiency	N/A	100%	-	-
New Frequencies	Route L0	100%	-	-
	Route L1	100%	-	-
	Route L2	100%	-	-
New Routes	Route L0	100%	80%	65%
	Route L1	100%	80%	65%
	Route L2	100%	80%	65%

Specific Airport Rules and Incentives

Faro Airport (FAO)

Date published	January 2018
Application start date	April 2018

Eligibility conditions	Incentive	Minimum Freq./week		Minimum weeks	
		Summer	Winter	Summer	Winter
	New Frequencies	1	1	10	5
	New Routes	1	1	10	5
	Max. number of scheduled freq. in the previous season to be considered a New Route: 10 in Summer and 5 in Winter.				

Off-Peak Periods	Off-Peak periods (local time)	Applicable			
		Summer	Shoulder	Winter	Low Winter
	06:00 to 07:59	x			
	12:00 to 15:59	x			
	20:00 to 23:59	x			

Basic Incentive mark-ups	Mark-up criteria		Applicable	
	Seasonality	Shoulder	x	March; April; May; October; November
		Winter		
		Low Winter	x	December; January; February
	Market Level 1	Route sector distance between 1 000 nm and 2 300 nm		
	Market Level 2	Route sector distance higher than 2 300 nm		

Incentives amount	Incentive	Op. Efficiency		New Freq.		New Routes	
		Peak	Off Peak	Peak	Off Peak	Peak	Off Peak
	Basic Incentive	1,0 €		-	2,5 €	1,5 €	3,5 €
	Seasonality Mark-up	Shoulder	1,0 €	-	1,0 €	1,5 €	1,5 €
		Winter	-	-	-	-	-
		Low Winter	2,0 €	-	3,5 €	4,5 €	4,5 €
	Market Level Mark-up	Level 1	-	-	1,0 €	1,0 €	2,0 €
		Level 2	-	-	3,0 €	2,0 €	3,0 €

Incentives duration	Incentive type	Market	Incentive amount proportion		
			Year 1	Year 2	Year 3
	Op. Efficiency	N/A	100%	-	-
	New Frequencies	Route L0	100%	-	-
		Route L1	100%	-	-
		Route L2	100%	-	-
	New Routes	Route L0	100%	80%	65%
		Route L1	100%	80%	65%
		Route L2	100%	80%	65%

Specific Airport Rules and Incentives

Ponta Delgada Airport (PDL)

Date published	January 2018
Application start date	April 2018

Eligibility conditions	Incentive	Minimum Freq./week		Minimum weeks	
		Summer	Winter	Summer	Winter
	New Frequencies	1	1	10	5
	New Routes	1	1	10	5
Max. number of scheduled freq. in the previous season to be considered a New Route: 10 in Summer and 5 in Winter.					

Off-Peak Periods	Off-Peak periods (local time)	Applicable			
		Summer	Shoulder	Winter	Low Winter
	Not Applicable	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

Basic Incentive mark-ups	Mark-up criteria	Applicable			
	Seasonality	Summer			
		Shoulder			
		Winter	x	IATA Winter	
		Low Winter			
	Market Level 1	Route sector distance between 1 000 nm and 1 800 nm			
	Market Level 2	Route sector distance higher than 1 800 nm			

Incentives amount	Incentive	Op. Efficiency		New Freq.		New Routes	
		Peak	Off Peak	Peak	Off Peak	Peak	Off Peak
	Basic Incentive	1,0 €		2,0 €		4,0 €	
	Seasonality Mark-up	Shoulder	-	-		-	
		Winter	2,0 €	2,0 €		2,0 €	
		Low Winter	-	-		-	
	Market Level Mark-up	Level 1	-	1,0 €		2,0 €	
		Level 2	-	3,0 €		4,0 €	

Incentives duration	Incentive type	Market	Incentive amount proportion		
			Year 1	Year 2	Year 3
	Op. Efficiency	N/A	100%	-	-
	New Frequencies	Route L0	100%	-	-
		Route L1	100%	-	-
		Route L2	100%	-	-
	New Routes	Route L0	100%	80%	65%
		Route L1	100%	80%	65%
		Route L2	100%	80%	65%

Specific Airport Rules and Incentives

Azores Airports (HOR, SMA, FLW)

Date published	January 2018
Application start date	April 2018

Eligibility conditions	Incentive	Minimum Freq./week		Minimum weeks	
		Summer	Winter	Summer	Winter
	New Frequencies	1	1	4	4
	New Routes	1	1	4	4
	Max. number of scheduled freq. in the previous season to be considered a New Route: 10 in Summer and 5 in Winter.				

Off-Peak Periods	Off-Peak periods (local time)	Applicable			
		Summer	Shoulder	Winter	Low Winter
	Not Applicable	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

Basic Incentive mark-ups	Mark-up criteria	Applicable		
	Seasonality	Summer		
		Shoulder		
		Winter	x	IATA Winter
		Low Winter		
	Market Level 1	Route sector distance between 1 000 nm and 1 800 nm		
	Market Level 2	Route sector distance higher than 1 800 nm		

Incentives amount	Incentive		Op. Efficiency		New Freq.		New Routes	
			Peak	Off Peak	Peak	Off Peak	Peak	Off Peak
	Basic Incentive		1,0 €		2,0 €		4,0 €	
	Seasonality Mark-up	Shoulder	-		-		-	
		Winter	2,0 €		2,0 €		2,0 €	
		Low Winter	-		-		-	
	Market Level Mark-up	Level 1	-		1,0 €		2,0 €	
		Level 2	-		3,0 €		4,0 €	

Incentives duration	Incentive type	Market	Incentive amount proportion		
			Year 1	Year 2	Year 3
	Op. Efficiency	N/A	100%	-	-
	New Frequencies	Route L0	100%	-	-
		Route L1	100%	-	-
		Route L2	100%	-	-
	New Routes	Route L0	100%	80%	65%
		Route L1	100%	80%	65%
		Route L2	100%	80%	65%

Specific Airport Rules and Incentives

Madeira Airport (FNC)

Date published	January 2018
Application start date	April 2018

Eligibility conditions	Incentive	Minimum Freq./week		Minimum weeks	
		Summer	Winter	Summer	Winter
	New Frequencies	1	1	10	5
	New Routes	1	1	10	5
	Max. number of scheduled freq. in the previous season to be considered a New Route: 10 in Summer and 5 in Winter.				

Off-Peak Periods	Off-Peak periods (local time)	Applicable			
		Summer	Shoulder	Winter	Low Winter
	Not Applicable	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

Basic Incentive mark-ups	Mark-up criteria	Applicable			
	Seasonality	Summer			
		Shoulder			
		Winter	x	February; March; November	
		Low Winter	x	December; January	
	Market Level 1	Route sector distance between 1 000 nm and 1 800 nm			
	Market Level 2	Route sector distance higher than 1 800 nm			

Incentives amount	Incentive		Op. Efficiency		New Freq.		New Routes	
			Peak	Off Peak	Peak	Off Peak	Peak	Off Peak
	Basic Incentive		1,0 €		3,5 €		6,5 €	
	Seasonality Mark-up	Shoulder	-		-		-	
		Winter	1,5 €		2,0 €		2,5 €	
		Low Winter	2,0 €		3,0 €		3,0 €	
	Market Level Mark-up	Level 1	-		2,0 €		4,0 €	
		Level 2	-		3,5 €		5,5 €	

Incentives duration	Incentive type	Market	Incentive amount proportion		
			Year 1	Year 2	Year 3
	Op. Efficiency	N/A	100%	-	-
	New Frequencies	Route L0	100%	-	-
		Route L1	100%	-	-
		Route L2	100%	-	-
	New Routes	Route L0	100%	80%	65%
		Route L1	100%	80%	65%
		Route L2	100%	80%	65%

Specific Airport Rules and Incentives

Porto Santo Airport (PXO)

Date published	January 2018
Application start date	April 2018

Eligibility conditions	Incentive	Minimum Freq./week		Minimum weeks	
		Summer	Winter	Summer	Winter
	New Frequencies	1	1	4	4
	New Routes	1	1	4	4
Max. number of scheduled freq. in the previous season to be considered a New Route: 10 in Summer and 5 in Winter.					

Off-Peak Periods	Off-Peak periods (local time)	Applicable			
		Summer	Shoulder	Winter	Low Winter
	Not Applicable	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

Basic Incentive mark-ups	Mark-up criteria	Applicable		
	Seasonality	Summer		
		Shoulder		
		Winter	x	January to June; October to December
		Low Winter		
	Market Level 1	Route sector distance between 1 000 nm and 1 800 nm		
	Market Level 2	Route sector distance higher than 1 800 nm		

Incentives amount	Incentive		Op. Efficiency		New Freq.		New Routes	
			Peak	Off Peak	Peak	Off Peak	Peak	Off Peak
	Basic Incentive		1,0 €		4,5 €		7,5 €	
	Seasonality Mark-up	Shoulder	-		-		-	
		Winter	2,0 €		3,0 €		3,0 €	
		Low Winter	-		-		-	
	Market Level Mark-up	Level 1	-		2,5 €		4,5 €	
		Level 2	-		3,5 €		5,5 €	

Incentives duration	Incentive type	Market	Incentive amount proportion		
			Year 1	Year 2	Year 3
	Op. Efficiency	N/A	100%	-	-
	New Frequencies	Route L0	100%	-	-
		Route L1	100%	-	-
		Route L2	100%	-	-
	New Routes	Route L0	100%	80%	65%
		Route L1	100%	80%	65%
		Route L2	100%	80%	65%

Specific Airport Rules and Incentives

Beja Airport (BYJ)

Date published	January 2018
Application start date	April 2018

Eligibility conditions

Incentive	Minimum Freq./week		Minimum weeks	
	Summer	Winter	Summer	Winter
New Frequencies	1	1	-	-
New Routes	1	1	-	-

Off-Peak Periods

Off-Peak periods (local time)	Applicable			
	Summer	Shoulder	Winter	Low Winter
Not Applicable	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Basic Incentive mark-ups

Mark-up criteria	Applicable		
Seasonality	Shoulder	x	March; April; May; October; November
	Winter		
	Low Winter	x	December; January; February
Market Level 1	Route sector distance between 1 150 nm and 2 300 nm		
Market Level 2	Route sector distance higher than 2 300 nm		

Incentives amount

Incentive		Op. Efficiency		New Freq.		New Routes	
		Peak	Off Peak	Peak	Off Peak	Peak	Off Peak
Basic Incentive		1,0 €		2,5 €		3,5 €	
		-		-		-	
Seasonality Mark-up	Shoulder	1,0 €		1,0 €		1,5 €	
	Winter	-		-		-	
	Low Winter	2,0 €		3,5 €		4,5 €	
Market Level Mark-up	Level 1	-		1,0 €		2,0 €	
	Level 2	-		3,0 €		3,0 €	

Incentives duration

Incentive type	Market	Incentive amount proportion		
		Year 1	Year 2	Year 3
Op. Efficiency	N/A	100%	-	-
New Frequencies	Route L0	100%	-	-
	Route L1	100%	-	-
	Route L2	100%	-	-
New Routes	Route L0	100%	80%	65%
	Route L1	100%	80%	65%
	Route L2	100%	80%	65%

Annex 2 – Summary of Incentive values per Airport and per Incentive category

Category	Route	Season	Peak/Off-Peak	OPO	FAO	FNC	PXO	PDL
Operational Efficiency		Summer	-	1,00 €	1,00 €	1,00 €	1,00 €	1,00 €
		Winter	-	1,00 €	2,25 €	2,65 €	3,00 €	3,00 €
Operational Efficiency + Off-Peak Periods		Summer	-	1,00 €	1,00 €	1,00 €	1,00 €	1,00 €
		Winter	-	1,00 €	2,25 €	2,65 €	3,00 €	3,00 €

New Frequency	Level 0	Summer	Peak	2,00 €	-	3,50 €	4,50 €	2,00 €
			Off-Peak	2,00 €	2,50 €	3,50 €	4,50 €	2,00 €
		Winter	Peak	3,00 €	-	5,80€	7,50 €	4,00 €
			Off-Peak	3,00 €	4,13 €	5,80 €	7,50 €	4,00 €
	Level 1	Summer	Peak	3,00 €	-	5,50 €	7,00 €	3,00 €
			Off-Peak	3,00 €	3,50 €	5,50 €	7,00 €	3,00 €
		Winter	Peak	4,00 €	-	7,80 €	10,00 €	5,00 €
			Off-Peak	4,00 €	5,13 €	7,80 €	10,00 €	5,00 €
	Level 2	Summer	Peak	5,00 €	-	7,00 €	8,00 €	5,00 €
			Off-Peak	5,00 €	5,50 €	7,00 €	8,00 €	5,00 €
		Winter	Peak	6,00 €	-	9,30 €	11,00 €	7,00 €
			Off-Peak	6,00 €	7,13 €	9,30 €	11,00 €	7,00 €

New Route	Level 0	Summer	Peak	4,50 €	1,50 €	6,50 €	7,50 €	4,00 €
		Off-Peak	4,50 €	3,50 €	6,50 €	7,50 €	4,00 €	
	Winter	Peak	6,50 €	3,75 €	9,15 €	10,50 €	6,00 €	
		Off-Peak	6,50 €	5,75 €	9,15 €	10,50 €	6,00 €	
	Level 1	Summer	Peak	7,50 €	2,50 €	10,50 €	12,00 €	6,00 €
		Off-Peak	7,50 €	5,50 €	10,50 €	12,00 €	6,00 €	
	Winter	Peak	9,50 €	4,75 €	13,15 €	15,00 €	8,00 €	
		Off-Peak	9,50 €	7,75 €	13,15 €	15,00 €	8,00 €	
	Level 2	Summer	Peak	8,50 €	3,50 €	12,00 €	13,00 €	8,00 €
		Off-Peak	8,50 €	6,50 €	12,00 €	13,00 €	8,00 €	
		Winter	Peak	10,50 €	5,75 €	14,65 €	16,00 €	10,00 €
		Off-Peak	10,50 €	8,75 €	14,65 €	16,00 €	10,00 €	

Note:

Faro Winter: assuming 75% for Shoulder and 25% de Low Winter

Funchal Winter: assuming 70% for Winter and 30% de Low Winter

Annex 3 – Incentive calculation: worked example

		Route Performance				Market Growth Adjustment Factor		XPTO Airline Performance											
		Real Pax Variation						Real Pax Variation						Adjusted Pax Variation					
		Summer		Winter				Summer		Winter		Summer		Winter		Total			
Market	Route	Route	Σ of growing Airlines	Route	Σ of growing Airlines	Summer	Winter	Existing Freq.	New Freq.	Existing Freq.	New Freq.	Existing Freq.	New Freq.	Existing Freq.	New Freq.	Existing Freq.	New Freq.		
A	A1	11.000	11.000	3.300	3.300	N/A	N/A	-1.000	8.000	1.700		N/A	N/A	N/A	N/A	N/A	N/A		
	A2	-1.000	500	4.500	4.500	N/A	N/A	-1.000		-500	4.000	N/A	N/A	N/A	N/A	N/A	N/A		
	Total	10.000	11.500	7.800	7.800	87%	100%	-2.000	8.000	1.200	4.000	-2.000	6.957	1.200	4.000	-800	10.957		
B		-2.000	4.000	6.000	7.000	0%	86%	1.000		-1.000	6.000	0	0	-1.000	5.143	-1.000	5.143		
Total		8.000	15.500	13.800	14.800			-1.000	8.000	200	10.000	-2.000	6.957	200	9.143	-1.800	16.099		

Operational Efficiency Incentive = $200 \times 2\text{€}$ (seasonality mark-up)

New Frequencies Incentive = $(16.099 \times 2\text{€} + 9.143 \times 2\text{€}) - (800 \times 2\text{€})$

Example based on Ponta Delgada Incentives and assuming Level 0 Markets.