

REGULATION
**On application of Discount coefficients to the Airport charges to be collected at
Boryspil International Airport**

Grounds: Order of the Ministry of Transport and Communications of Ukraine No.337 dated 26 March 2008 (as subsequently amended)

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1 Purpose

This Regulation has been developed to reach the following goals:

- Increasing competitiveness of Boryspil International Airport;
- Increasing traffic at Boryspil International Airport;
- Increasing revenues of Boryspil International Airport;
- Developing air routes network to/from Boryspil International Airport;
- Attracting new Air Carriers to Boryspil International Airport;
- Motivating the airlines as commercial partners of the Airport.

2 Principles of Discount coefficients application

Boryspil International Airport applies Discount coefficients under the terms provided for by this Regulation, which is based on the following principles recommended by ICAO:

- Transparency means open publication of this Regulation to ensure clear and transparent criteria for the application of Discount coefficients and to prevent an application of Discount coefficients when operating scheduled flights on the terms that are not provided for by this Regulation or by the Regulation on application of discount coefficients to the Airport charges to be collected at Boryspil International Airport N01-07-102 dated from 05.05.2017 or by the Regulation on application of discount coefficients to the Airport charges to be collected at Boryspil International Airport when operating scheduled flights N01-07-19 dated from 28.02.2017;
- Non-discrimination means equal procedure of this Regulation provisions application for all categories of users providing equal or similar air traffic at Boryspil International Airport and avoidance of deterioration by the Airport of conditions that are provided for by this Regulation for any Air Carrier;

- Non-cross-subsidization is ensured by excess of revenues received from each Air Carrier taking into consideration the norms of this Regulation over the cost price of the services rendered;
- Limitation of this Regulation validity period;
- Airport cost-effectiveness means ensuring the Airport cost-effectiveness and sharing the economic difficulties faced by the Airport and Airlines when developing air traffic;
- Consultation with Air Carriers on a regular basis.

3 Definitions and Abbreviations

- *An Air Carrier (or an Airline)* is an organization transporting passengers, baggage, cargo and mail by an aircraft.

- *Airport charges comprise the following:*

- *Passenger charge* means a charge for passenger handling in the airport terminal collected by the Airport from Air Carriers according to *the Airport Charges for Handling of Aircraft and Passengers at Boryspil International Airport State Enterprise* approved by Order of the Ministry of Transport and Communications of Ukraine No.337 dated 26 March 2008 (hereinafter «the Order 337»).

- *Landing charge* means a charge for landing/take-off of aircraft collected by the Airport from Air Carriers according to Para. 2.1.2 of the Order 337.

- *The Airport* means Boryspil International Airport State Enterprise, Boryspil International Airport, Boryspil airport.

- *The Agreement* means an agreement (contract) or an additional agreement hereto according to which the Airport services are rendered and the Airport charges are collected, responsibility for violation of obligations provided for by this Regulations is established and which is concluded between Boryspil International Airport State Enterprise and an Air Carrier on the terms and conditions of this Regulation. This Agreement shall be executed under the written request of an Air Carrier (Appendix 1) that contains obligations of an Air Carrier set out in the Order 337. Conclusion of an Agreement with an Air Carrier on the terms of this Regulation shall be possible only under the condition of making amendments to the existing agreements, which concern termination of application of any other Discount coefficients to the Airport charges when operating scheduled flights which were effective on the date of this Regulation approval.

- *A base year* means a year which started from the 01st of January 2017 and ends on 31st of December 2017.

- *Discount coefficient to the Airport charges* means reduction of the amount of Passenger charge and Landing charge by Boryspil International Airport when selling the relevant services to an Air Carrier. Application of Discount coefficients shall be carried out on the basis of the Agreement signed, by multiplying the amount of Discount coefficients by the amount of the Airport charge. The Discount coefficients to be calculated (applied) from the date specified in Air Carrier's Request, but not earlier than from the first day of the month in which such Request was received by the Airport.

- *A Transfer passenger* means a passenger who is carried from any airport to Boryspil International Airport to transfer (connection) in accordance with the agreement of air transportation, and then is carried within 24 hours from Boryspil International Airport by a scheduled flight to any other airport (apart from the airport which this passenger arrived to Boryspil International Airport from).
- *An Airport system* (or airport system of one city or airports of one city) means all airports that belong to the same city according to the IATA Manual (IATA Coding), the electronic version of which is posted on the official IATA website <http://www.iata.org/publications/Pages/code-search.aspx>.
- *A Market* means an airport or an airport system, to which scheduled international flights are operated from Boryspil International Airport.
- *Cannibalization of passenger transportation* means a situation in which the beginning of operation of scheduled international flights by an Air Carrier from Boryspil International Airport to any Market is accompanied by a loss of passenger traffic of any other Air Carrier on the same market. If there is a cannibalization of passenger traffic on any Market, the calculation of the number of passengers cannibalized by an Air Carrier is made according to the method described in Item 5 of this Regulation. Calculation of the number of passengers cannibalized by Air Carriers on any Market according to Item 5 of this Regulation is made only for Air Carriers that have not operated any or have operated less than 15 scheduled international flights on this Market during the base year and after validation of this Regulation start operations of scheduled international flights to/from Boryspil International Airport from/to that particular Market mentioned above with a frequency not less than once a week.

In case after validation of the Regulation several Air Carriers simultaneously (i.e. within 2 calendar months) start operations of scheduled international flights to/from Boryspil International Airport to the new Market (i.e. Market to which within 12 sequential calendar months preceding the date of the first flight operation to this Market by one of these Air Carriers, not more than 15 scheduled international passenger flights have been operated to/from Boryspil International Airport), they will not be considered as cannibalizing passengers in relation to each other on this Market, calculation of cannibalization for these Air Carriers on this Market is not made during the entire validity period of this Regulation.

4 Application of Discount coefficients to the Airport charges

4.1 Growth in the number of passengers carried by an Air Carrier

If there is an increase in the number of passengers departed by an Air Carrier on scheduled international flights in the current month compared to the relevant month of the base year, the increment of passengers departed by an Air Carrier on scheduled international flights in the current month compared to the relevant month of the base year (hereinafter – Increment1) shall be evaluated. When making such calculations the number of transfer passengers departed on scheduled international flights shall be excluded from the number of passengers departed by an Air Carrier on such scheduled

international flights in the current month and in the relevant month of the base year. Discount coefficients to the Passenger charge will be applied monthly to the Increment1 excluding the number of cannibalized passengers (calculated in accordance with the Item 5 of this Regulation) as described below:

The period starting from the beginning of Discount coefficient application to an Air Carrier according to this criterion ¹	The amount of the Discount coefficient applied to the Passenger charge ²
The 1st year (the first 12 months) ¹	0.2
The 2nd year (from the 13th till the 24th month) ¹	0.4
The 3rd year (from the 25th till the 36th month) ¹	0.6
The 4th year (from the 37th till the 48th month) ¹	0.8

¹Note 1: The period of Discount coefficient application according to this criterion is limited to the term of the Regulation specified in Item 6.2. and 6.3. of this Regulation.

²Note 2: In case within the previous year of the Discount coefficient application according to this criterion (periods according to the Table mentioned above) the total growth of passengers departed by an Air Carrier on scheduled international flights in comparison with the 12 months preceding this previous year amounted to 100 000 or more passengers (including Transfer and cannibalized passengers), the Discount coefficient which was applied within the previous year will be applied to the Increment1 (excluding the number of cannibalized passengers (calculated in accordance with the Item 5 of this Regulation) within the current year.

At the same time, in case within first 2 years of the Discount coefficient application according to this criterion (periods according to the Table mentioned above) the total growth of passengers departed by an Air Carrier on scheduled international flights comparing to 12 months preceding the first year of the Discount coefficient application amounted to 400 000 or more passengers (including Transfer and cannibalized passengers) then within the third year of the Discount coefficient application according to this criterion (periods according to the Table mentioned above) the Discount coefficient in the amount of 0.2 will be applied to the Increment1 (excluding the number of cannibalized passengers (calculated in accordance with the Item 5 of this Regulation)).

4.2 Growth in the number of flights operated by an Air Carrier

In case there is an increase in the number of scheduled international flights departed by an Air Carrier in the current month compared to the relevant month of the base year, the increment of scheduled international flights departed by an Air Carrier in the current month compared to the relevant month of the base year shall be calculated (hereinafter – Increment2). The number of flights for increment calculation in each month is determined according to the chronological order of such flights operation starting from the beginning of the relevant month.

Discount coefficients to the Landing charge will be applied monthly to the Increment2 as described below:

The period starting from the beginning of Discount coefficient application according to this criterion ³	The amount of the Discount coefficient applied to the Landing charge ⁴
The 1st year (the first 12 months) ³	0.2
The 2nd year (from the 13th till the 24th month) ³	0.4
The 3rd year (from the 25th till the 36th month) ³	0.6
The 4th year (from the 37th till the 48th month) ³	0.8

³Note 3: The period of Discount coefficient application according to this criterion is limited to the term of the Regulation specified in Item 6.2. and 6.3. of this Regulation.

⁴ Note 4: In case within the previous year of the Discount coefficient application according to this criterion (periods according to the Table mentioned above) the total growth of passengers departed by an Air Carrier on scheduled international flights in comparison with the 12 months preceding this previous year amounted to 100 000 or more passengers (including Transfer and cannibalized passengers), the Discount coefficient which was applied within the previous year to the Increment2 will be applied within the current year.

At the same time, in case within the first 2 years of the Discount coefficient application according to this criterion (periods according to the Table mentioned above) the total growth of passengers departed by an Air Carrier on scheduled international flights comparing to 12 months preceding the first year of the Discount coefficient application amounted to 400 000 or more passengers (including Transfer and cannibalized passengers) then within the third year of the Discount coefficient application according to this criterion (periods according to the Table mentioned above) the Discount coefficient in the amount of 0.2 will apply to the Increment2.

4.3 Attracting Transfer passengers by an Air Carrier to the Airport

When carrying Transfer passengers, a Discount coefficient in the amount of 0.2 will be applied to the Passenger charge for these passengers.

4.4 Providing significant volume of traffic by an Air Carrier

4.4.1. A Discount coefficient, which depends on the number of passengers departed by an Air Carrier by scheduled flights within a calendar month, will be applied to the Passenger charge:

The total number of passengers departed by an Air Carrier in a calendar month ⁵	The amount of the Discount coefficient applied to the Passenger charge
up to 4 999 passengers	N/a
from 5 000 to 9 999 passengers	0,95
from 10 000 to 19 999 passengers	0,90
from 20 000 to 29 999 passengers	0,85
from 30 000 to 49 999 passengers	0,80
from 50 000 to 69 999 passengers	0,75
from 70 000 to 99 999 passengers	0,70
from 100 000 to 129 999 passengers	0,65
from 130 000 to 169 999 passengers	0,60
from 170 000 to 209 999 passengers	0,55
from 210 000 to 259 999 passengers	0,50
over 260 000 passengers	0,45

⁵Note 5: When calculating the total number of Air Carrier's passengers departed from the Airport, all departed by Air Carrier on scheduled flights passengers are taken into account including Transfer passengers.

The Discount coefficients according to Item 4.4.1 will be applied to passengers departed by an Air Carrier on scheduled flights within a calendar month, excluding Transfer passengers and passengers to which Item 4.1 of this Regulation is applied.

4.4.2. In case of increase of the total number of the departed and the arrived flights of an Air Carrier within the current month compared to the relevant month of the past year and when performing by an Air Carrier more than 1500 scheduled flights within the current month, a Discount coefficient of 0.8 shall be applied to the Landing charge when operating scheduled flights (excluding flights to which Item 4.2 of this Regulation is applied). In determining the number of flights, the total number of the departed and the arrived scheduled flights shall be taken into consideration.

5 Determination of the number of passengers cannibalized by an Air Carrier

5.1 The number of passengers cannibalized by an Air Carrier **** on the Market in the current month is determined by the following formula:

$$CP_{ALnn} = CP * \frac{GR_{ALnn}}{GR}, \text{ where:}$$

**** Note: Calculations are made only in case Air Carriers have $GR_{ALnn} > 0$.

CP - Cannibalized PAX - The number of departed passengers cannibalized by all Air Carriers in the current month on a given Market:

$$\begin{aligned} CP &= \text{Cannibalized PAX} = DR, \text{ if } GR > |DR|; \\ CP &= \text{Cannibalized PAX} = GR, \text{ if } GR \leq |DR|. \end{aligned}$$

GR - Growth Rate – a cumulative growth of the number of passengers (except Transfer passengers) departed by Air Carriers on scheduled international flights on a given Market:

$$GR = \text{Growth Rate} = GR_{ALn1} + GR_{ALn2} + \dots + GR_{ALnn}, \text{ where}$$

GR_{ALn1} , GR_{ALn2} , ... , GR_{ALnn} – growth in the number of passengers (except Transfer passengers) departed by Air Carriers $ALn1$, $ALn2$, ... $ALnn$ on scheduled international flights in the current month on a given Market compared to the relevant month of the previous year;

DR - Decrease Rate - a cumulative decrease in the number of passengers (except Transfer passengers) departed by Air Carriers on scheduled international flights:

$$DR = \text{Decrease Rate} = DR_{ALm1} + DR_{ALm2} + \dots + DR_{ALmm};$$

where DR_{ALm1} , DR_{ALm2} , ... , DR_{ALmm} – decrease in the number of passengers (except Transfer passengers) departed by Air Carriers $ALm1$, $ALm2$, ... $ALmm$ by scheduled international flights in the current month on a given Market compared to the relevant month of the previous year;

5.2 In case in the current month passengers are cannibalized by an Air Carrier on more than one Market, the total number of passengers cannibalized by an Air Carrier is determined as a sum of departed passengers cannibalized by an Air Carrier on all Markets.

6 Final Provisions

6.1. This Regulation to be approved by the Order of the Director General of Boryspil International Airport after consultation with the Air Carriers. The Airport annually analyses the effectiveness of the incentive scheme implemented under this Regulation and consults with the Air Carriers.

6.2. This Regulation enters into force on the 1st of February 2018 and shall be effective either until achievement by the Airport of passenger traffic (arriving and departing passengers) of 20 million passengers a year or until 31.01.2022, depending on which comes first.

6.3. This Regulation will be revised in case an airport for international air passenger transportation is open on Kyiv Antonov Aerodrome (Kyiv Antonov (Gostomel) International Airport) before 31.01.2022.

6.4. When operating scheduled flights by an Air Carrier the Airport shall have the right to apply Discount coefficients either on the terms that are provided for by this Regulation or by the Regulation on application of discount coefficients to the Airport charges to be collected at Boryspil International Airport N01-07-102 dated from 05.05.2017 or by the Regulation on application of discount coefficients to the Airport charges to be collected at Boryspil International Airport when operating scheduled flights N01-07-19 dated from 28.02.2017 (for Air Carriers, with which prior to the entry into force of this Regulation agreements were concluded on the application of the terms of the Regulation on application of discount coefficients to the Airport charges to be collected at Boryspil International Airport N01-07-102 dated from 05.05.2017 or the Regulation on application of discount coefficients to the Airport charges to be collected at Boryspil International Airport when operating scheduled flights N01-07-19 dated from 28.02.2017). At the same time, the Regulation may be amended by the Airport only after approval by Air Carriers that within the previous quarter provided at least 70% of passenger traffic of Boryspil International Airport.