



GOVERNMENT OF MONTENEGRO
MINISTRY OF TRANSPORT AND MARITIME AFFAIRS

MONTENEGRO AIRPORTS CONCESSION ACT

Podgorica, July 2019

INTRODUCTION.....	3
1. SUBJECT MATTER OF THE CONCESSION	4
2. BOUNDARIES OF SITES, AREAS AND LOCATIONS SUBJECT TO THE CONCESSION ACTIVITIES.....	5
3. MAIN PARAMETERS FOR THE INVESTMENT ECONOMIC FEASIBILITY ASSESSMENT	13
4. ENVISAGED CONCESSION DURATION	16
5. LIST OF TECHNICAL DOCUMENTATION WITH REQUIREMENTS, PERMITS, LICENSES AND APPROVALS NECESSARY FOR THE CONCESSION IMPLEMENTATION	16
6. EXTRACT FROM THE SPATIAL AND PLANNING DOCUMENTATION	17
7. DATA ON INFRASTRUCURE AND OTHER BUILDINGS AT THE CONCESSION SITE	26
8. OWNERSHIP STRUCTURE OF THE LAND TO BE USED FOR THE CONCESSION ACTIVITIES, METHOD FOR SOLVING PROPRTY AND LEGAL RELATIONS	28
9. TENDER PROCEDURE (TENDER DOCUMENTATION MAIN ELEMENTS)	32
10. REQUIREMENTS TO BE FULFILLED BY THE CONCESSIONER IN TERMS OF TECHNICAL EQUIPMENT, FINANCIAL CAPACITIES AND OTHER REFERENCES	34
11. THE MOST FAVOURABLE BID SELECTION CRITERIA.....	36
12. INVESTMENT SCOPE AND SCHEDULE	36
13. CONTENT OF THE CONCESSION AREEMENT	38
14. CONDITIONDS AND METHODS OF PERFORMANCE OF CONCESSION ACTIVITIES AND TERMS, METHODS, QUALITY AND SCOPE OF CONCESSION SERVICES	39
15. EXCLUSIVITY CLUASE.....	40
16. ENVIRONMENTAL PROTECTION MEASURES AND ENERGY EFFICIECY IMPROVMENET.....	40
17. CONCESSION FEE INITIAL AMOUNT	41
18. SERVICES TARIFF SETTING.....	42
19. STATUS OF THE FACILITEIS AT HANDOVER.....	42
20. CURRENT STAFF OF THE AIRPORTS OF MONENEGRO JSC	43
SCHEDULE 1- List of Applicable Regulations.....	44
SCHEDULE 2- Draft Concession Agreement.....	46
SCHEDULE 3 – Airport services proposal	47

INTRODUCTION

Pursuant to the Law on Concessions („Official Gazette of Montenegro“, no. 08/09), the Ministry of Transport and Maritime Affairs (hereinafter referred to as the “Ministry”) has prepared the Concession Act to award a concession for use of the airports Tivat and Podgorica (hereinafter referred to as the “Airports”) to a competitively selected bidder (the “Concessionaire”) that shall incorporate a legal entity with the head office in Montenegro, to conduct concession activities.

The Airport Concession implies the payment of the concession fee to the Grantor - Government of Montenegro (hereinafter referred to as the “Grantor”) by the Concessionaire.

The intention is to provide, through the concession, the necessary valorisation of the Airport in a long-term sustainable manner that will be in the interest of the state and its further economic development.

In order to evaluate, structure the concession and launch the tender using the best international practices, the Ministry has hired the International Finance Corporation (IFC). The results of the assessment, detailed technical, legal, financial and economic analysis, as well as decisions made by the Ministry regarding the project, are reflected in the Concession Act.

Pursuant to the Law, on August 6, 2018 the public discussion was organized in order to maximize positive effects of this procedure for the citizens of Montenegro through exchange of public comments, opinions and suggestions.

At the same time, the Ministry prepared a Draft Concession Agreement, which will be indicative and subject to change until it enters into force, since certain solutions depend on specific parameters that will be part of the best bidder's offer, which is a standard approach to concession tenders.

The competent authority may change the public notice, after its publication, except for the elements stipulated by this Concession Act.

The Ministry, as the competent authority, reserves the right to cancel the proceedings at any time.

Pursuant to the Agreement between the Faculty of Economics in Podgorica and the joint stock company Montenegro Airports concluded in April 2019, the Faculty of Economics conducted the evaluation of the assets market value of the Company as at December 31, 2018, meeting the requirement stated in Article 61 of the Law on Concessions.

For the purpose of determining the market value of the joint stock company Montenegro Airports, a yield method - a method of discounting future cash flows - was used to estimate the value of net assets, that is, net capital. The market value

based on the above method is determined based on the Company's yield ability, i.e. ability to generate profit in the future period.

Based on the presented data and analysis, submitted and available documentation (financial reports of the company, reports of competent state authorities), the International Assets Evaluation Standards, practice and experienced appraisers, the estimated assets market value after debt servicing of the joint stock company Montenegro Airports as at December 31, 2018 amounts to EUR 140,393,476.

1. SUBJECT MATTER OF THE CONCESSION

Pursuant to Article 6, paragraph 1, item 7 section 3 of the Law on Concessions, the subject matter of the concession are **construction, reconstruction, modernisation, maintenance and use of the Airport.**

Utilization involves performance of activities of public interest through the use of state-owned property of general interest, which involves the payment of a concession fee by the Concessionaire to the Grantor.

Construction and reconstruction involve the preparation of the technical documentation and all documents necessary for issuing a building permit, works on the construction and reconstruction of facilities and infrastructure until the issuance of certificates of completion and work permit.

Modernization involves the preparation of the necessary technical documentation and the execution of works on existing structures of superstructure and infrastructure, which change the organization of space within the facility, replace devices, plants, equipment and installations, but which do not affect the stability and security of the object, do not change the constructive elements, do not alter the external appearance or affect the safety of adjacent buildings, traffic, fire protection and the environment.

The concession implies the transfer to the Concessionaire of the right to fully perform all airport-related services during the concession period, the proposal of which is provided in the Schedule 3 to this document.

The Concessionaire shall be responsible for the security within the Concession Sites within the Sites' perimeter.

The Concession shall **NOT** cover:

- air traffic control, which shall remain within the scope of responsibilities of SMATSA; and
- custom and passport control, which shall remain within the scope of responsibilities of the Custom Administration - Ministry of Finance and the Police - Ministry of Internal Affairs, respectively.

2. BOUNDARIES OF SITES, AREAS AND LOCATIONS SUBJECT TO THE CONCESSION ACTIVITIES

The concession activities will be performed at Podgorica International Airport and at Tivat International Airport.

Boundaries of the concession site at Podgorica International Airport

Boundaries of the concession site at Podgorica International Airport correspond to the boundaries of the cadastral lots 541/6 and 541/12 in Golubovci Cadastral Municipality. The total surface of the concession site at Podgorica International Airport is 251.57 ha.

Boundaries of the concession site at Tivat International Airport

Boundaries of the concession site at Tivat International Airport are defined based on the site planning documentation and proposed phase implementation of the investment program.

The total area envisaged for performance of the concession activities at Tivat International Airport covers the area of 157.86 of land and 8.83ha of the aquatorium area, and for the purposes of this Concession Act, the above areas are divided according to the envisaged three implementation phases.

The Phase I refers to the area of 84.7 ha, the Phase II refers to the area of 56 ha, while the Phase III covers the area of 17.38 ha.

Note: Cadastral lot 1232/2 in Đuraševići cadastral municipality, real estate folio 312, as well as the cadastral lot 1268/2 in Đuraševići cadastral municipality, real estate folio 1143, do not belong to the concession site (the detailed explanation is provided in the section on the ownership status).

The implementation phases I and II at Tivat International Airport cover the area within boundaries of the State Location Study (SLS), Sector 24 – Tivat Airport (“Official Gazette of Montenegro” no. 20/13).

The implementation covers the area defined by the Decision on the Amendments to the State Location Study “Kalardovo – Ostrvo cvijeća – Brdišta” (“Official Gazette of Montenegro” no. 64/17) covering the area of 17.3 ha, that has not been provided with the detailed planning documentation; however, the special-purpose Spatial Plan designates this area for the airport expansion (“Official Gazette of Montenegro” no. 56/18).

The following picture shows the boundaries of the concession area at Tivat International Airport broken down by the implementation phases as well as division into phases with incorporated boundaries of urban lots from the valid planning

document as well as coordinates of areas subject to the concession activities, broken down by phases:



Aerodrom Golubovci

1:10,000





Aerodrom Tivat - Faze

1:10,000



The boundaries of the Phase I of the development of Tivat International Airport are defined by cadastral lots numbers provided in the Chapter 8 and spatially defined by the following coordinates, whereas the cadastral lots 1232/2 and 1268/2 of Đuraševići cadastral municipality are not included in the Phase I or in the concession site:

NUMBER	X position	Y position	NUMBER	X position	Y position	NUMBER	X position	Y position
001	6561034.93	4694603.89	057	6559672.90	4696522.45	113	6558780.17	4696770.65
002	6561056.98	4694623.61	058	6559669.55	4696529.61	114	6559162.29	4696336.68
003	6561059.24	4694625.74	059	6559663.19	4696543.19	115	6559163.16	4696335.89
004	6561047.22	4694643.42	060	6559657.14	4696555.79	116	6559165.96	4696333.35
005	6561007.13	4694712.90	061	6559647.93	4696575.76	117	6559175.34	4696323.62
006	6560994.13	4694736.24	062	6559647.58	4696576.52	118	6559177.45	4696321.41
007	6560983.67	4694755.43	063	6559637.87	4696601.16	119	6559184.59	4696313.97
008	6560934.87	4694840.48	064	6559627.86	4696623.65	120	6559189.06	4696309.30
009	6560900.81	4694898.65	065	6559624.59	4696632.01	121	6559210.83	4696286.61
010	6560869.61	4694951.71	066	6559623.27	4696635.38	122	6559213.61	4696283.71
011	6560839.67	4694999.97	067	6559610.49	4696666.21	123	6559222.73	4696274.20
012	6560807.13	4695052.39	068	6559601.65	4696691.60	124	6559242.21	4696253.88
013	6560789.57	4695081.28	069	6559599.60	4696696.54	125	6559240.56	4696258.70
014	6560746.35	4695145.27	070	6559583.89	4696738.28	126	6559239.17	4696263.59
015	6560743.61	4695149.32	071	6559574.06	4696765.91	127	6559238.04	4696268.56
016	6560719.16	4695185.52	072	6559571.54	4696768.27	128	6559237.19	4696273.58
017	6560687.34	4695230.26	073	6559571.32	4696768.47	129	6559236.79	4696276.76
018	6560679.81	4695240.46	074	6559571.25	4696768.80	130	6559236.32	4696282.96
019	6560625.86	4695314.61	075	6559570.90	4696770.32	131	6559235.29	4696304.28
020	6560623.98	4695316.99	076	6559563.29	4696792.38	132	6559235.12	4696307.85
021	6560566.61	4695389.61	077	6559561.74	4696795.65	133	6559234.99	4696310.60
022	6560567.45	4695390.98	078	6559558.10	4696809.02	134	6559233.91	4696333.01
023	6560553.84	4695408.53	079	6559552.45	4696826.97	135	6559233.76	4696336.16
024	6560532.53	4695434.63	080	6559546.95	4696844.54	136	6559233.17	4696346.10
025	6560512.17	4695459.43	081	6559545.91	4696849.95	137	6559232.33	4696356.04
026	6560489.12	4695487.31	082	6559541.89	4696864.39	138	6559231.25	4696365.94
027	6560466.23	4695514.22	083	6559542.42	4696869.50	139	6559230.65	4696370.69
028	6560460.62	4695520.88	084	6559537.16	4696889.48	140	6559229.82	4696376.62
029	6560456.85	4695525.08	085	6559529.19	4696919.75	141	6559228.89	4696382.53
030	6560445.32	4695537.92	086	6559518.28	4696921.43	142	6559227.89	4696388.43
031	6560340.15	4695656.66	087	6559518.92	4696925.75	143	6559226.79	4696394.32
032	6560288.13	4695714.39	088	6559519.19	4696931.81	144	6559225.61	4696400.19
033	6560245.04	4695762.76	089	6559518.89	4696932.99	145	6559224.34	4696406.04
034	6560205.62	4695807.79	090	6559518.62	4696934.06	146	6559222.98	4696411.87
035	6560169.84	4695848.08	091	6559472.80	4696940.56	147	6559221.54	4696417.68
036	6560134.77	4695887.50	092	6559472.04	4696940.67	148	6559219.55	4696425.16
037	6560103.55	4695922.86	093	6559465.68	4696941.57	149	6559220.60	4696425.42
038	6560074.81	4695954.80	094	6559464.90	4696941.68	150	6559219.38	4696425.77
039	6560045.80	4695987.24	095	6559383.26	4696953.27	151	6559216.44	4696435.86
040	6560016.61	4696019.58	096	6559377.38	4696954.10	152	6559213.23	4696445.87
041	6559995.26	4696044.65	097	6559363.86	4696956.02	153	6559209.77	4696455.80
042	6559966.06	4696078.66	098	6559350.60	4696957.91	154	6559206.04	4696465.63
043	6559938.44	4696111.85	099	6559344.89	4696958.71	155	6559202.07	4696475.37
044	6559910.84	4696146.03	100	6559338.68	4696959.59	156	6559197.85	4696485.00
045	6559882.84	4696182.61	101	6559284.80	4696967.03	157	6559193.37	4696494.51
046	6559848.77	4696228.89	102	6559138.96	4696987.92	158	6559188.65	4696503.91
047	6559828.88	4696257.76	103	6559128.29	4696989.44	159	6559183.70	4696513.18
048	6559827.47	4696259.80	104	6559117.30	4696991.00	160	6559183.01	4696514.42
049	6559806.77	4696290.73	105	6559114.11	4696991.45	161	6559177.96	4696523.22
050	6559790.75	4696314.77	106	6559102.13	4696993.91	162	6559172.70	4696531.90
051	6559775.55	4696339.74	107	6559082.13	4696997.75	163	6559167.23	4696540.44
052	6559754.53	4696374.76	108	6559063.07	4697003.22	164	6559166.39	4696541.71
053	6559753.64	4696376.29	109	6559049.00	4697007.07	165	6559159.98	4696551.07
054	6559733.37	4696411.33	110	6559044.28	4697008.40	166	6559152.06	4696562.30
055	6559711.83	4696450.19	111	6559032.13	4696997.46	167	6559141.19	4696577.71
056	6559673.94	4696524.08	112	6559028.15	4696993.88	168	6559124.10	4696601.95

169	6559103.40	4696631.28	203	6559191.09	4696605.75	237	6560274.74	4695389.75
170	6559101.76	4696633.61	204	6559206.27	4696587.03	238	6560314.59	4695344.41
171	6559101.62	4696633.82	205	6559221.93	4696569.45	239	6560345.35	4695308.22
172	6559095.33	4696642.74	206	6559230.02	4696560.36	240	6560342.84	4695301.90
173	6559043.31	4696716.48	207	6559232.43	4696557.45	241	6560352.16	4695291.04
174	6559030.51	4696734.63	208	6559242.41	4696546.23	242	6560371.10	4695269.23
175	6559021.89	4696750.79	209	6559249.62	4696538.08	243	6560429.46	4695203.95
176	6559019.97	4696759.50	210	6559252.77	4696539.56	244	6560456.91	4695172.85
177	6559017.23	4696770.70	211	6559363.04	4696416.21	245	6560457.81	4695171.71
178	6559018.35	4696791.62	212	6559390.04	4696386.31	246	6560459.74	4695169.42
179	6559018.64	4696792.30	213	6559398.27	4696377.32	247	6560464.13	4695164.81
180	6559019.55	4696795.04	214	6559422.21	4696351.15	248	6560489.35	4695136.13
181	6559021.76	4696801.36	215	6559456.33	4696313.41	249	6560573.46	4695043.83
182	6559021.99	4696802.09	216	6559497.87	4696265.55	250	6560595.73	4695021.03
183	6559023.02	4696800.94	217	6559538.37	4696219.75	251	6560621.83	4694992.83
184	6559045.11	4696776.02	218	6559577.38	4696175.67	252	6560666.90	4694939.90
185	6559057.94	4696761.55	219	6559615.83	4696132.78	253	6560698.38	4694903.73
186	6559058.97	4696758.41	220	6559630.94	4696115.85	254	6560722.33	4694876.33
187	6559063.79	4696749.34	221	6559653.54	4696090.52	255	6560735.61	4694860.97
188	6559066.96	4696744.64	222	6559697.65	4696041.77	256	6560749.13	4694859.10
189	6559069.92	4696740.64	223	6559737.37	4695995.67	257	6560758.06	4694847.07
190	6559072.56	4696743.64	224	6559773.19	4695954.69	258	6560764.45	4694838.11
191	6559073.93	4696744.54	225	6559808.12	4695914.96	259	6560766.94	4694834.65
192	6559095.33	4696719.17	226	6559830.22	4695892.68	260	6560771.98	4694828.76
193	6559115.81	4696694.96	227	6559857.22	4695861.39	261	6560783.67	4694815.77
194	6559129.00	4696678.70	228	6559881.70	4695834.49	262	6560800.70	4694796.43
195	6559136.62	4696669.76	229	6559916.35	4695795.33	263	6560835.40	4694757.36
196	6559144.62	4696661.20	230	6559957.90	4695748.50	264	6560898.54	4694686.29
197	6559154.03	4696649.51	231	6560005.85	4695693.27	265	6560954.78	4694622.97
198	6559156.75	4696647.21	232	6560042.21	4695652.26	266	6560990.30	4694654.16
199	6559158.50	4696644.20	233	6560083.65	4695605.30	267	6561003.56	4694638.94
200	6559167.53	4696632.74	234	6560139.12	4695541.38	268	6561016.28	4694624.84
201	6559170.41	4696628.97	235	6560168.26	4695509.16	269	6561030.02	4694609.33
202	6559178.64	4696619.40	236	6560218.20	4695453.35			

The boundaries of the Phase II of the development of Tivat International Airport are spatially defined by the following coordinates:

NUMBER	X position	Y position	NUMBER	X position	Y position	NUMBER	X position	Y position
001	6561059.24	4694625.74	025	6560962.43	4694420.54	049	6560541.73	4694766.70
002	6561063.29	4694621.18	026	6560938.17	4694418.65	050	6560519.29	4694793.17
003	6561071.92	4694606.66	027	6560914.10	4694418.80	051	6560480.49	4694838.97
004	6561071.34	4694602.06	028	6560875.30	4694418.85	052	6560471.30	4694849.81
005	6561085.00	4694578.08	029	6560836.46	4694418.89	053	6560440.98	4694885.59
006	6561089.06	4694565.60	030	6560831.93	4694424.24	054	6560425.38	4694904.00
007	6561106.10	4694530.32	031	6560826.08	4694431.14	055	6560409.15	4694923.15
008	6561116.58	4694508.54	032	6560823.45	4694434.25	056	6560400.87	4694932.93
009	6561122.95	4694497.83	033	6560825.73	4694436.18	057	6560334.96	4695010.30
010	6561136.43	4694475.15	034	6560821.59	4694436.43	058	6560291.44	4695061.39
011	6561137.62	4694471.99	035	6560816.60	4694442.33	059	6560276.03	4695079.48
012	6561143.42	4694456.63	036	6560793.95	4694469.05	060	6560269.05	4695087.67
013	6561133.33	4694450.13	037	6560763.14	4694505.41	061	6560259.23	4695099.19
014	6561124.12	4694446.40	038	6560761.32	4694507.56	062	6560237.91	4695124.22
015	6561108.16	4694438.45	039	6560753.02	4694517.36	063	6560221.55	4695143.43
016	6561079.34	4694427.19	040	6560736.00	4694537.44	064	6560211.32	4695155.44
017	6561067.00	4694423.27	041	6560722.59	4694553.27	065	6560203.14	4695165.04
018	6561047.40	4694421.55	042	6560696.98	4694583.49	066	6560191.63	4695178.55
019	6561028.65	4694419.87	043	6560691.53	4694589.92	067	6560152.89	4695224.03
020	6561014.98	4694418.77	044	6560682.59	4694600.47	068	6560147.03	4695230.91
021	6561012.16	4694418.94	045	6560612.16	4694683.59	069	6560145.95	4695232.18
022	6561001.26	4694419.60	046	6560590.75	4694708.85	070	6560142.95	4695235.70
023	6560985.72	4694421.09	047	6560577.56	4694724.41	071	6560137.23	4695242.41
024	6560965.96	4694420.62	048	6560554.13	4694752.07	072	6560117.21	4695265.91

073	6560104.47	4695280.87	135	6559219.38	4696425.77	197	6559390.04	4696386.31
074	6560071.32	4695319.78	136	6559216.44	4696435.86	198	6559398.27	4696377.32
075	6560055.57	4695338.33	137	6559213.23	4696445.87	199	6559422.21	4696351.15
076	6560042.62	4695353.58	138	6559209.77	4696455.80	200	6559456.33	4696313.41
077	6560014.37	4695386.86	139	6559206.04	4696465.63	201	6559497.87	4696265.55
078	6559997.70	4695406.49	140	6559202.07	4696475.37	202	6559538.37	4696219.75
079	6559993.78	4695411.10	141	6559197.85	4696485.00	203	6559577.38	4696175.67
080	6559959.69	4695451.25	142	6559193.37	4696494.51	204	6559615.83	4696132.78
081	6559944.12	4695469.59	143	6559188.65	4696503.91	205	6559630.94	4696115.85
082	6559916.25	4695502.42	144	6559183.70	4696513.18	206	6559653.54	4696090.52
083	6559884.34	4695539.99	145	6559183.01	4696514.42	207	6559697.65	4696041.77
084	6559838.71	4695593.74	146	6559177.96	4696523.22	208	6559737.37	4695995.67
085	6559824.35	4695610.64	147	6559172.70	4696531.90	209	6559773.19	4695954.69
086	6559797.85	4695641.85	148	6559167.23	4696540.44	210	6559808.12	4695914.96
087	6559761.17	4695685.05	149	6559166.39	4696541.71	211	6559830.22	4695892.68
088	6559681.89	4695779.09	150	6559159.98	4696551.07	212	6559857.22	4695861.39
089	6559651.52	4695815.12	151	6559152.06	4696562.30	213	6559881.70	4695834.49
090	6559640.89	4695827.72	152	6559141.19	4696577.71	214	6559916.35	4695795.33
091	6559606.53	4695868.49	153	6559124.10	4696601.95	215	6559957.90	4695748.50
092	6559602.61	4695873.13	154	6559103.40	4696631.28	216	6560005.85	4695693.27
093	6559523.32	4695967.18	155	6559101.76	4696633.61	217	6560042.21	4695652.26
094	6559498.13	4695992.31	156	6559101.62	4696633.82	218	6560083.65	4695605.30
095	6559463.44	4696026.93	157	6559095.33	4696642.74	219	6560139.12	4695541.38
096	6559453.96	4696036.38	158	6559043.31	4696716.48	220	6560168.26	4695509.16
097	6559448.65	4696041.83	159	6559030.51	4696734.63	221	6560218.20	4695453.35
098	6559426.31	4696064.78	160	6559021.89	4696750.79	222	6560274.74	4695389.75
099	6559383.46	4696108.78	161	6559019.97	4696759.50	223	6560314.59	4695344.41
100	6559328.75	4696164.97	162	6559017.23	4696770.70	224	6560345.35	4695308.22
101	6559321.45	4696172.47	163	6559018.35	4696791.62	225	6560342.84	4695301.90
102	6559312.97	4696181.18	164	6559018.64	4696792.30	226	6560352.16	4695291.04
103	6559310.27	4696183.95	165	6559019.55	4696795.04	227	6560371.10	4695269.23
104	6559306.29	4696188.05	166	6559021.76	4696801.36	228	6560429.46	4695203.95
105	6559292.69	4696202.01	167	6559021.99	4696802.09	229	6560456.91	4695172.85
106	6559272.76	4696222.50	168	6559023.02	4696800.94	230	6560457.81	4695171.71
107	6559263.00	4696232.52	169	6559045.11	4696776.02	231	6560459.74	4695169.42
108	6559256.69	4696239.01	170	6559057.94	4696761.55	232	6560464.13	4695164.81
109	6559242.21	4696253.88	171	6559058.97	4696758.41	233	6560489.35	4695136.13
110	6559240.56	4696258.70	172	6559063.79	4696749.34	234	6560573.46	4695043.83
111	6559239.17	4696263.59	173	6559066.96	4696744.64	235	6560595.73	4695021.03
112	6559238.04	4696268.56	174	6559069.92	4696740.64	236	6560621.83	4694992.83
113	6559237.19	4696273.58	175	6559072.56	4696743.64	237	6560666.90	4694939.90
114	6559236.79	4696276.76	176	6559073.93	4696744.54	238	6560698.38	4694903.73
115	6559236.32	4696282.96	177	6559095.33	4696719.17	239	6560722.33	4694876.33
116	6559235.29	4696304.28	178	6559115.81	4696694.96	240	6560735.61	4694860.97
117	6559235.12	4696307.85	179	6559129.00	4696678.70	241	6560749.13	4694859.10
118	6559234.99	4696310.60	180	6559136.62	4696669.76	242	6560758.06	4694847.07
119	6559233.91	4696333.01	181	6559144.62	4696661.20	243	6560764.45	4694838.11
120	6559233.76	4696336.16	182	6559154.03	4696649.51	244	6560766.94	4694834.65
121	6559233.17	4696346.10	183	6559156.75	4696647.21	245	6560771.98	4694828.76
122	6559232.33	4696356.04	184	6559158.50	4696644.20	246	6560783.67	4694815.77
123	6559231.25	4696365.94	185	6559167.53	4696632.74	247	6560800.70	4694796.43
124	6559230.65	4696370.69	186	6559170.41	4696628.97	248	6560835.40	4694757.36
125	6559229.82	4696376.62	187	6559178.64	4696619.40	249	6560898.54	4694686.29
126	6559228.89	4696382.53	188	6559191.09	4696605.75	250	6560954.78	4694622.97
127	6559227.89	4696388.43	189	6559206.27	4696587.03	251	6560990.30	4694654.16
128	6559226.79	4696394.32	190	6559221.93	4696569.45	252	6561003.56	4694638.94
129	6559225.61	4696400.19	191	6559230.02	4696560.36	253	6561016.28	4694624.84
130	6559224.34	4696406.04	192	6559232.43	4696557.45	254	6561030.02	4694609.33
131	6559222.98	4696411.87	193	6559242.41	4696546.23	255	6561034.93	4694603.89
132	6559221.54	4696417.68	194	6559249.62	4696538.08	256	6561056.98	4694623.61
133	6559219.55	4696425.16	195	6559252.77	4696539.56			
134	6559220.60	4696425.42	196	6559363.04	4696416.21			

The boundaries of the Phase III of the development of Tivat International Airport are defined by the Decision on the Amendments to the State Location Study "Kalardovo – Ostrvo cvijeća – Brdišta" (a proposed location for the new terminal

“South”) and delineated by the following coordinates:

No.	Position X	Position Y	NO.	Position X	Position Y
1	6560218.55	4695137.88	56	6560794.52	4694419.18
2	6560223.32	4695141.92	57	6560786.24	4694420.21
3	6560232.72	4695130.84	58	6560785.22	4694420.16
4	6560238.78	4695123.69	59	6560775.85	4694419.70
5	6560244.85	4695116.54	60	6560766.48	4694419.24
6	6560250.92	4695109.38	61	6560757.11	4694418.78
7	6560256.98	4695102.23	62	6560747.74	4694418.49
8	6560263.05	4695095.07	63	6560728.98	4694418.34
9	6560269.12	4695087.92	64	6560719.60	4694418.27
10	6560275.18	4695080.77	65	6560710.22	4694418.19
11	6560281.25	4695073.61	66	6560700.85	4694418.49
12	6560287.32	4695066.46	67	6560691.48	4694418.92
13	6560293.39	4695059.31	68	6560682.11	4694419.34
14	6560299.45	4695052.15	69	6560653.98	4694420.10
15	6560311.59	4695037.85	70	6560625.84	4694420.35
16	6560317.65	4695030.69	71	6560607.08	4694420.51
17	6560323.72	4695023.54	72	6560588.33	4694420.68
18	6560329.79	4695016.38	73	6560562.15	4694452.75
19	6560335.85	4695009.23	74	6560516.10	4694506.14
20	6560366.19	4694973.46	75	6560495.53	4694530.00
21	6560372.25	4694966.30	76	6560466.73	4694563.39
22	6560384.39	4694952.00	77	6560385.82	4694657.20
23	6560390.45	4694944.84	78	6560380.66	4694660.70
24	6560396.52	4694937.69	79	6560374.56	4694661.16
25	6560402.59	4694930.53	80	6560368.89	4694658.45
26	6560414.72	4694916.23	81	6560288.91	4694589.46
27	6560426.85	4694901.92	82	6560277.58	4694576.77
28	6560438.99	4694887.61	83	6560232.75	4694644.54
29	6560451.12	4694873.30	84	6560161.23	4694753.13
30	6560463.25	4694858.99	85	6560152.43	4694768.03
31	6560469.32	4694851.84	86	6560151.03	4694769.67
32	6560499.65	4694816.07	87	6560152.61	4694771.03
33	6560505.72	4694808.92	88	6560157.43	4694775.14
34	6560542.12	4694765.99	89	6560163.25	4694786.05
35	6560560.32	4694744.53	90	6560167.48	4694794.43
36	6560584.59	4694715.91	91	6560171.43	4694802.91
37	6560608.85	4694687.30	92	6560173.96	4694811.94
38	6560614.92	4694680.14	93	6560176.50	4694820.97
39	6560639.18	4694651.53	94	6560179.03	4694830.00
40	6560657.38	4694630.06	95	6560181.46	4694838.71
41	6560669.52	4694615.76	96	6560184.15	4694848.31
42	6560687.72	4694594.29	97	6560186.62	4694857.10
43	6560699.85	4694579.99	98	6560189.15	4694866.13
44	6560705.92	4694572.83	99	6560196.11	4694893.39
45	6560748.38	4694522.75	100	6560202.70	4694920.75
46	6560760.52	4694508.45	101	6560207.15	4694938.98
47	6560772.65	4694494.14	102	6560219.52	4694984.22
48	6560790.85	4694472.68	103	6560227.57	4695011.17
49	6560802.98	4694458.37	104	6560236.16	4695037.97
50	6560815.12	4694444.06	105	6560238.02	4695043.77
51	6560827.25	4694429.75	106	6560238.07	4695047.06
52	6560836.46	4694418.89	107	6560238.24	4695056.44
53	6560826.80	4694420.20	108	6560236.84	4695075.09
54	6560822.65	4694420.07	109	6560233.18	4695093.46
55	6560803.90	4694419.47	110	6560228.57	4695111.65
			111	6560226.74	4695118.89
			112	6560222.27	4695129.26

3. MAIN PARAMETERS FOR THE INVESTMENT ECONOMIC FEASIBILITY ASSESSMENT

The objective of the economic feasibility assessment is to determine by analysing the costs and revenues of the concessionaire whether or not the concession is a viable solution, and will result in a positive financial, economic and social outcome for Montenegro. For the preparation of this analysis, reports prepared in the past by specialized consulting firms, as well as the following analyses performed in 2018 have been used:

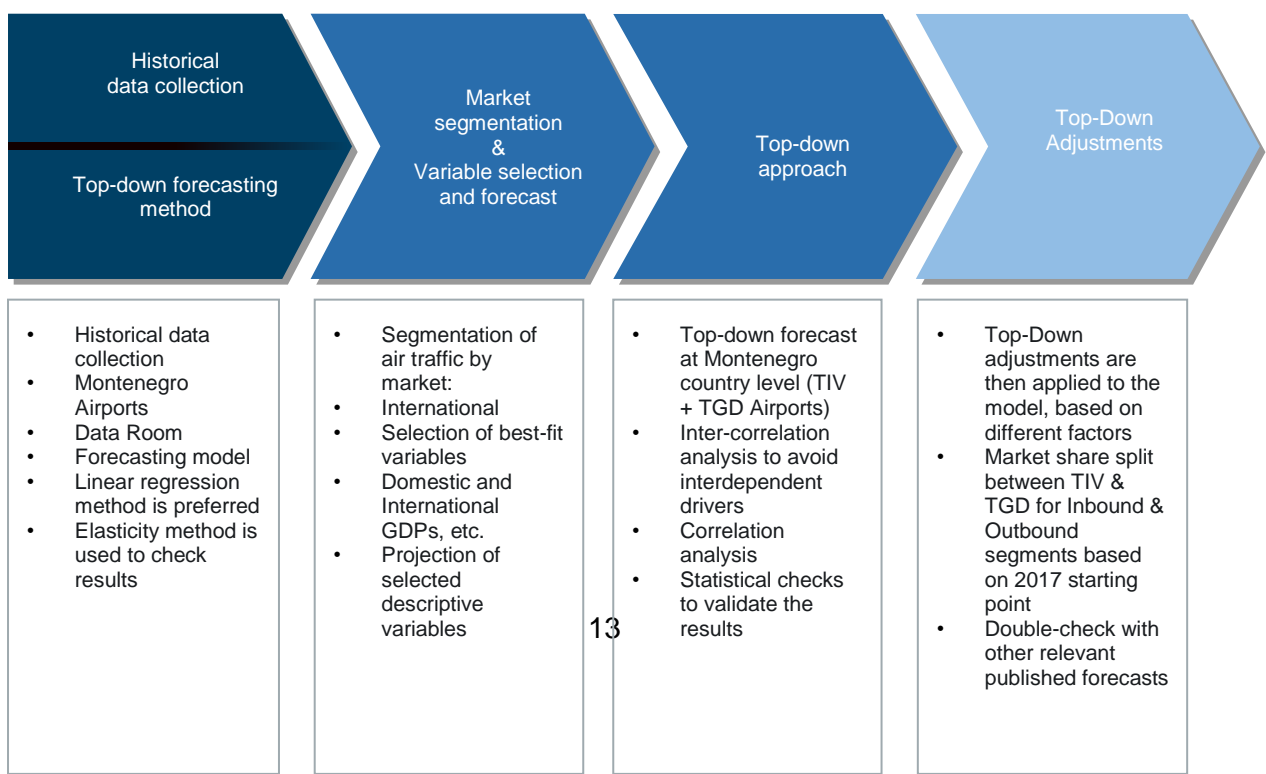
- the appraisal of the historic performance of the airports' business;
- the assessment of the conditions of the assets;
- traffic forecasts;
- investment need assessment for the next 30 years; and
- financing market current conditions.

Based on the above parameters, the airport business plan for the next 30 years was prepared. The technical studies were prepared by Advanced Logistics Group (hereinafter referred to as the "ALG"), while the financial and economic analysis was prepared by the International Financial Corporation (hereinafter referred to as the "IFC").

The project economic feasibility analysis conducted based on the past and projected future performances, concluded that the proposed project is sustainable and economically feasible. In other words, given the size of the investment estimated to be incurred by the concessionaire, the project cash-flows are healthy enough for the concessionaire to cover its operating and financing costs, as well as to share extra revenues with the grantor.

3.1. Traffic Forecasts

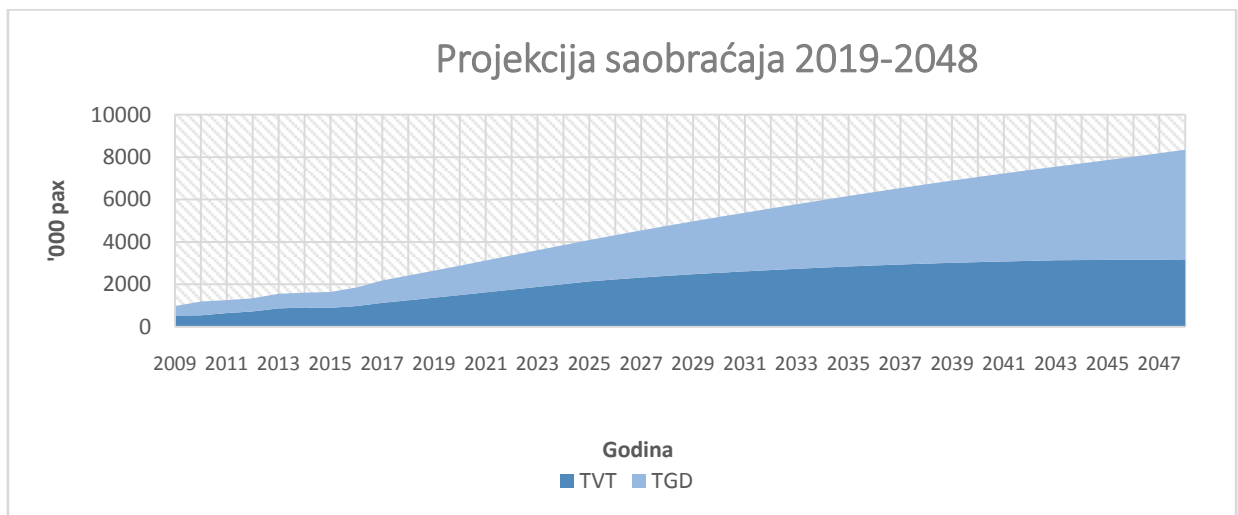
ALG prepared traffic forecasts for the two operating airports, at a horizon of 30 years using the following methodology:



The capacity constraint due to the lack of infrastructure capacities should not limit the future Concessionaire to propose innovative solutions that address the constraint. However, in the common interests of the Grantor and the Concessionaire is to expend capacities in order to meet demand growth. The bidders will thus be required to propose solutions that shall not hinder the growth of the infrastructure in the future.

The following chart illustrates the traffic forecasts.

Traffic Forecasts at Podgorica and Tivat Airports



3.2. Costs Estimates

The following assumptions have been used for the purpose of the project economic feasibility assessment:

- Capital and major maintenance investments, based on the current state of the assets, the compliance requirements, and traffic forecasts are estimated to EUR 200 million for both airports over the life of the project;
- Operating costs, based on the cost structure of the joint stock company Montenegro Airports for the past 2 reporting years, and the employee structure as of June 14, 2018 are adjusted for traffic growth and airport expansion. It is also assumed that the Concessionaire will optimize the operation costs to achieve industry benchmarks within a period of 7-8 years from the takeover.

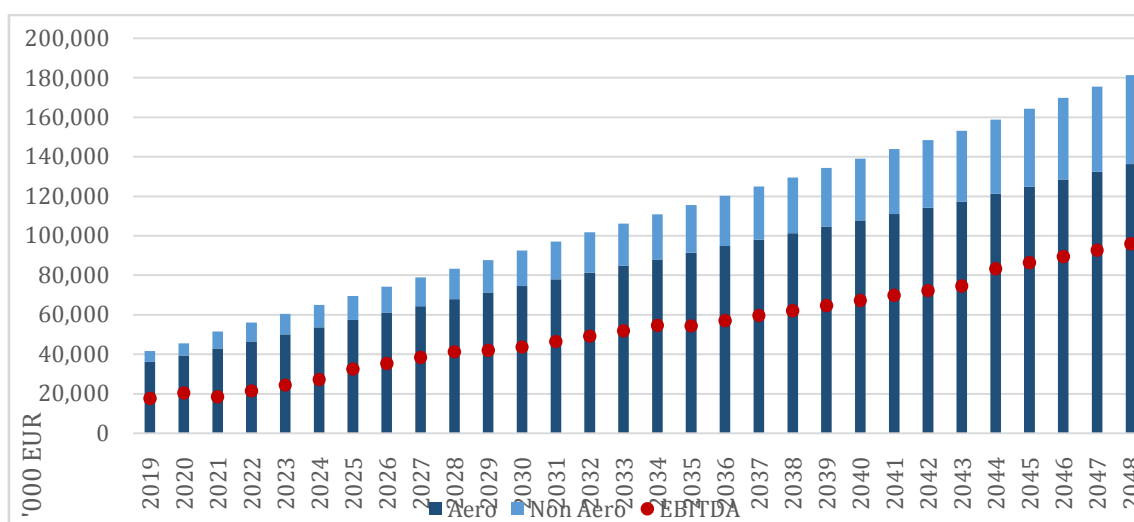
3.3. Revenue Projections

Based on the premise of the transfer of existing agreements between the Airports of Montenegro and the airlines currently operating routes to/from Montenegro, thus assuming existing airport charges and fees would remain unchanged, revenue projections for the period of 30 years i.e. for the duration of the Concession have been developed.

Using the past performance as a starting point, and assuming that the Concessionaire will optimize non-aeronautical activities shortly after the end of the construction period, non-aeronautical revenue have been projected in line with industry benchmarks in the region.

The current commercial revenue per passenger is EUR 2.1 in TGD, and EUR 1.9 in TVT. This compares with EUR 3.1 in BEG, EUR 4.1 in Vienna, or EUR 7.6 in Munich.

Base Case Revenue and EBITDA Projections



3.4. Cash Flow Assessment

The performed financial and economic analysis required by this Concession Act shows that the project is financially viable based on the used assumptions regarding the capital investment, operating and financing costs. Therefore, it is possible for the Concessionaire to share some of the revenues generated with the Grantor in the following way:

- (i) through annual concession fees, paid as percentage of gross revenues generated; and
- (ii) through the upfront concession fee, paid promptly upon the agreement conclusion.

The revenue distribution mechanism between the Concessionaire and the Grantor is structured in the form of annual and semi-annual payments, calculated as a percentage of the gross revenue generated by the Airports' business operations.

Gross revenues are defined as the sum of the following items (as determined in Euros in accordance with the International Financial Reporting Standards - IFRS):

- a) the aggregate gross revenues received by the Concessionaire deriving from Aeronautical Revenues;
- b) the aggregate gross revenues received by the Concessionaire deriving from Non-Aeronautical Revenues;
- c) amounts received or receivable from sales and services charged or attributed by the Concessionaire to the airport business operations;
- d) any Insurance Proceeds received by the Concessionaire;
- e) any and all other revenue of the Concessionaire generated by the airport business operations not otherwise included in the calculation of aggregate gross revenues under sub-clauses (a) to (d) above, such as interest earnings and penalties and fines charged to third parties for late payments of aeronautical and non-aeronautical revenues.

4. ENVISAGED CONCESSION DURATION

The Concession is awarded for a **period of 30 years** from the commencement date, i.e. the date when the Concessionaire has fulfilled all preconditions necessary for the transfer of the airport activities (financial close, permits, transfer of employees) ("Commencement Date").

5. LIST OF TECHNICAL DOCUMENTATION WITH REQUIREMENTS, PERMITS, LICENSES AND APPROVALS NECESSARY FOR THE CONCESSION IMPLEMENTATION

In order to implement the Concession, a special purpose vehicle incorporated by the winning bidder shall obtain:

- Construction permit(s) for the construction of the Airports' facilities, issued by the relevant authority and/or the notice on commencement of works in accordance with the applicable laws;
- Usage permit(s) for the use of newly constructed Airports' facilities, issued by the relevant authority in accordance with the applicable laws;
- Airport operator certificate from the Montenegro Civil Aviation Agency, as per the terms and conditions prescribed by the applicable law;
- Any other permits, consents and/or approvals required in accordance with the applicable laws.

6. EXTRACT FROM THE SPATIAL AND PLANNING DOCUMENTATION

6.1. Spatial and planning documentation for Podgorica International Airport

For the first and the second phase of the Concession Investment Program at Podgorica International Airport, detailed planning documentation has been adopted - „Podgorica Airport“ Local Location Study (LLS) (“Official Gazette of Montenegro” – municipal regulation no. 035/18), representing the basis for issuing urban planning requirements and development of necessary technical documentation for the construction of facilities and infrastructure.

The Local Location Study relies on the 2030 Master Plan for the Montenegro Airports according to defined phases. It should be noted that the coverage of the Local Location Study coincides only with the first phase of the implementation of the above Master Plan, while elements of the second phase are currently outside its scope and will be implemented within the scope of the adjacent LLS plan „Cijevna – planning unit 2.5“ and later through the development of the General Regulatory Plan. In accordance with the above, the stages of implementation of the Investment Program in this Concession Act have been determined.

The basic feature of the interventions foreseen by this LSL is the optimization of the existing spatial resources within the boundaries of the plan. The focus of construction interventions is on the existing zone of the passenger terminal, and relates to the extension/construction of the passenger terminal and part of the platform, access roads and parking, expansion of the fire station, as well as the reconstruction and expansion of existing business and service facilities currently used by a large number of legal entities as well as the construction of hangars and commodity terminals.

The main feature of the proposed spatial model is to retain the existing configuration of the airport's basic traffic infrastructure with interventions to comply with legal regulations regarding airport security and to optimize available space in order to increase capacities.

In order to ensure required long-term capacities for the passenger handling in line with projected scope of traffic, the construction of a new passenger building-terminal is planned within this LLS.

In the meantime, in order to use the capacities of the existing passenger terminal, extensions of existing services are possible in accordance with the planned urban regulation.

The current LLS for Podgorica Airport provides the following aggregate surface and purposes:

- The total area covered by the plan: 214.2 ha
- Total urban lots: 16
- The total area of the lots in the air traffic zone: 206 ha
- The gross construction area of air traffic facilities: 72,906 m²

- The total area of the lots in the road traffic zone (parking): 6.6 ha
- The total area of roads: 1.6 ha
- The total area of lots for electric-power infrastructure: 0.14 ha

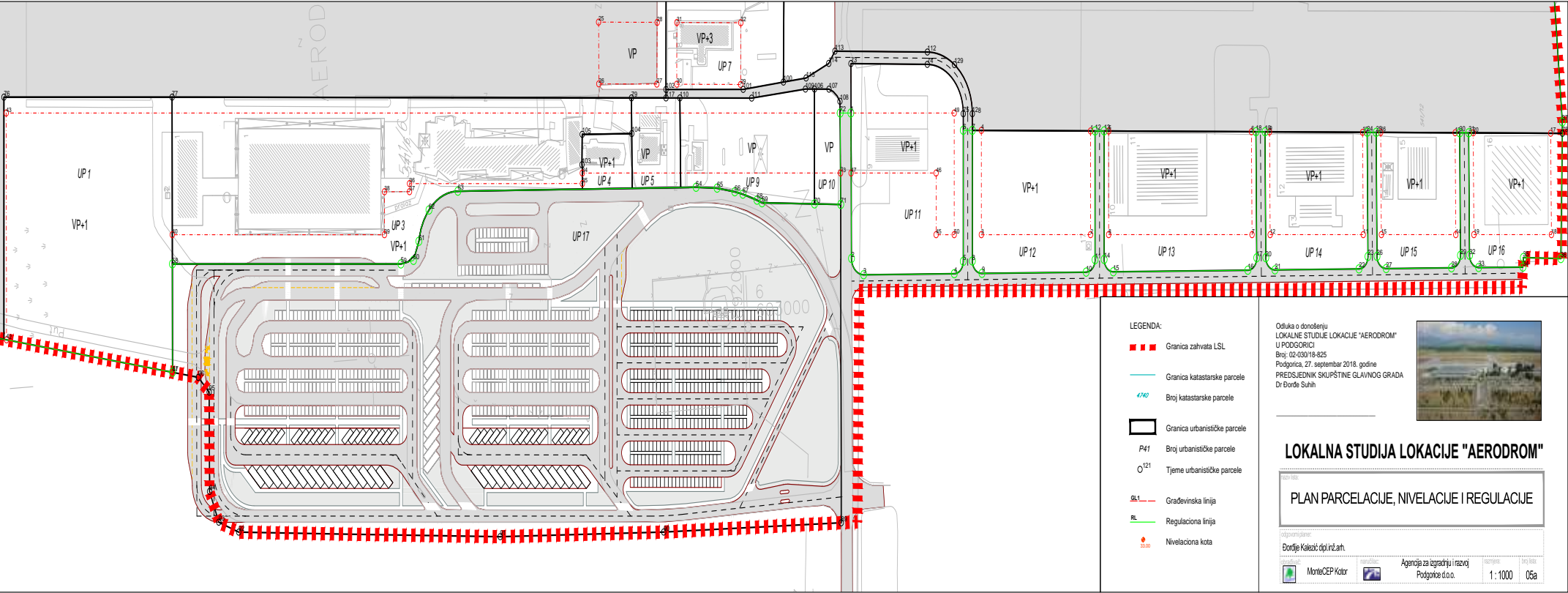
The following Table shows the comparative illustration of the existing and planned capacities:

Purpose	Existing		Planned	
	Purpose defined	Gross construction area	Purpose defined	Gross construction area
	10.3 ha	-	-	-
Air traffic	197.8 ha	16,939 m ²	208.1 ha	72.906 m ²
Road traffic	6.1 ha	-	6.6 ha	-
Electric and power infrastructure	0.14 ha	316 m ²	0.14 ha	986 m ²

The Local Location Study for the Montenegro Airports (“Official Gazette of Montenegro” – municipal regulation no. 035/18) is available free of charge at the Register of planning documentation (www.planovidozvole.mrt.gov.me) kept by the Ministry of Sustainable Development and Tourism, and the LLS will be a part of the Tender Documentation.

Below is the graphical segment of the current planning documentation – LLS Podgorica Airport and the 2030 Airport Development Master Plan, aimed at illustrating the planned spatial solution.

Graph: The plan of lots subdivision, levelling and regulation – Abstract from the LLS Podgorica Airport

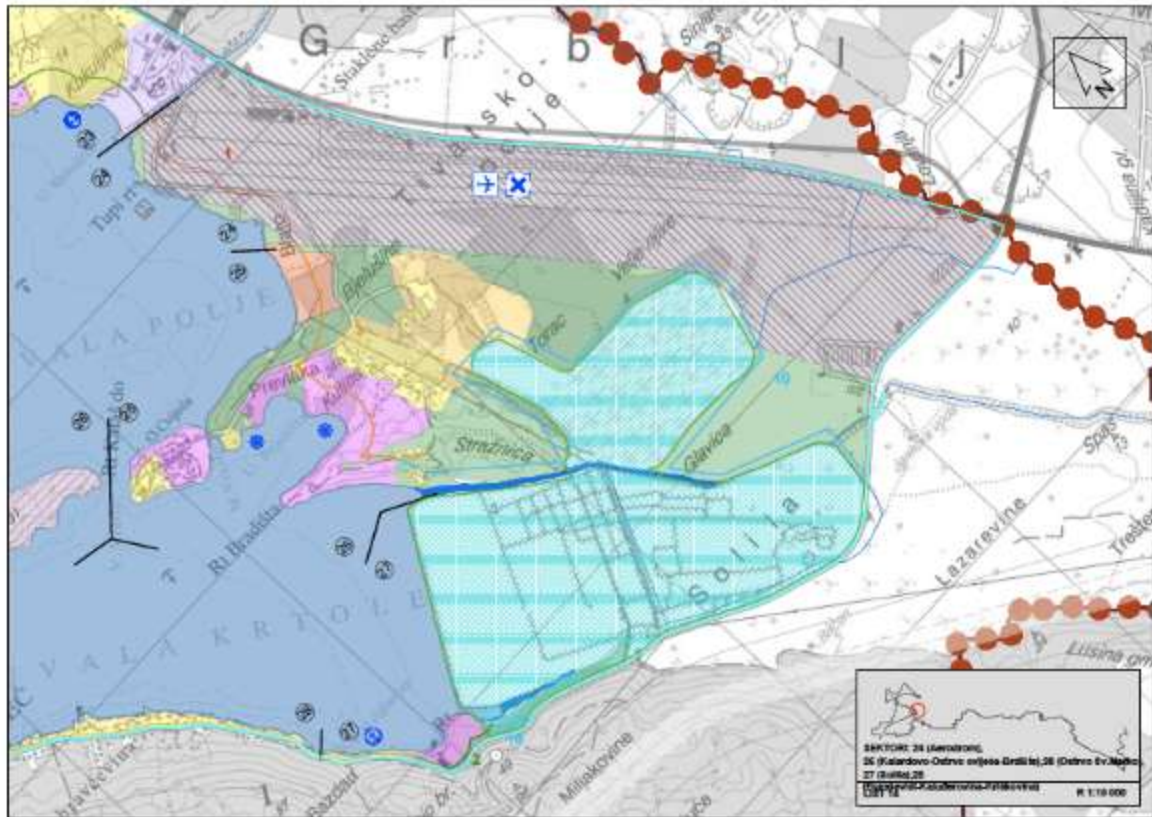


The first and the second implementation phase at Podgorica Airport, within boundaries of LLS
(abstract from the 2030 Airport Development Master Plan)



6.2. Spatial and planning documentation for Tivat International Airport

The entire concession area for all three phases of the Investment Program at Tivat International Airport is within the scope of the maritime demesne and higher order plan – **the Coastal Area Special-Purpose Spatial Plan - CASPSP** (“Official Gazette of Montenegro” 56/18) and defined as the area for the construction of the airport and auxiliary infrastructure.



Picture: Abstract from CASPSP for Tivat International Airport

CASPSP defines that it is necessary to increase the existing capacities of Tivat airports in order to accomplish the following development goals:

- 4D airport category (pursuant to the Montenegro spatial plan);
- High airport traffic safety level;
- Increase in capacities;
- Increase in service level;
- Development plan sustainability.

Although CASPSP provides the basis for the direct implementation and issuance of urban technical requirements for all traffic and technical infrastructure subject to the above Plan, including Tivat Airport, there is a possibility to develop a detailed plan through the amendments to the State Location Study “Kalardovo – Ostrvo cvijeća – Brdišta” and later on through the General Regulatory Plan for elements of the third phase of the implementation of the Investment Program, mainly for construction of a new terminal – “South” – in the proximity of the main road Tivat-Budva.

For the first and the second phase of the Investment Program at Tivat International Airport, detailed planning documentation was adopted – State Location Study (SLS) Sector 24 – Tivat Airport (“Official Gazette of Montenegro” no. 20/13) of the total area of 140.36 ha, whereas the land area accounts for 131.53 ha, while the aquatorium accounts for 8.83 ha.

This SLS is the basis for issuing urban and technical requirements and development of the necessary technical documentation for construction of buildings and infrastructure envisaged by the first two phases of the Investment Program.

The solution contained in SLS, Sector 24, envisages that the runway will remain at its existing location and that a new terminal area will be built in the southern part of the complex, along the Magistrala-Lustica road.

This solution is the result of research aimed at providing spatial conditions for long-term development. It is envisaged to construct a parallel taxiway southwest from the runway.

After the construction of the new terminal area, regular and charter traffic would be carried out in the “South” terminal, and the existing terminal zone (North) would be used for the handling of aircrafts of the General Aviation and airport administrative services.

The benefit of this option lies in the spatial potential for long-term development and the possibility of full valorisation of infrastructure and facilities in the existing terminal area.

According to the detailed usage regime, the above plan envisages the following facilities:

- | | |
|---------------------------|-----------------------------|
| - Existing terminal | - Hangar |
| - Control tower | - Planned terminal |
| - Administrative building | - Catering |
| - Exit gate | - Marine Air Terminal - MAT |
| - Cargo / TS | - Water terminal |
| - Fire station | - Meteorological station |

The State Location Study (SLS), Sector 24 – Tivat Airport (“Official Gazette of Montenegro” no. 20/13) is available free of charge at the Register of planning documentation (www.planovidozvole.mrt.gov.me) kept by the Ministry of Sustainable Development and Tourism, and the LLS will be a part of the Tender Documentation.

The general and detailed usage of space is shown within the SLS „Surface and Facilities Purpose Plan“ and is provided in the form of an abstract in this Concession Act for the purpose of illustration of the planned spatial solution.

[illegible]

7. DATA ON INFRASTRUCTURE AND OTHER BUILDINGS AT THE CONCESSION SITE

Podgorica International Airport

Podgorica Airport has one 2,500m-long runway, direction 18/36. The runway is 45 m wide, without shoulders and with asphalt pavement.

The taxiways at Podgorica Airport are mostly 15m wide. Almost all taxiways have a flexible pavement, except for "P" taxiway, which has a rigid pavement structure. 'G', " H ", 'J', 'K' and 'L' taxiways form a parallel taxiway along the whole length of the runway.

"G" and "H" taxiways are 23m wide, while the others are 15m wide and according to the ICAO Standards and Recommended Practices (SARPS) are not suitable for the operations of larger aircrafts belonging to the group C and all aircrafts belonging to the group D. Taxiways "A", "B", "F", "H", "M", "N" and "P" are also 23m wide, while taxiways "C", "D" and "E" are 12m wide and do not fulfil requirements for aircrafts of category "C".

The platform at Podgorica Airport has 6 parking posts for aircrafts of the group C right in front of the terminal. The platform has a rigid pavement structure and the configuration of the parking position is for a self-propelled parking system when entering and exiting the parking position (power-in/-out). Passengers are transferred from /to a parked aircraft and terminal by foot or by bus.

The terminal covers the area of approximately 5,500m² and it is located right behind the platform, allowing for easy access to/from aircrafts.

The administration of the joint stock company „Montenegro Airports“ is located in the old terminal building situated just south from the existing terminal. Administrative and operational staff is also located in the old terminal. The VIP lounge is located in the southern part of the old terminal. The car parking is located in the west part of the terminal.

The fuel supply service is outdated and is not provided with facilities for garaging and additional services. Aircraft fuel is now transported in tanker trucks from the fuel depot just south of the terminal. The existing tank refuelling system is currently considered adequate and appropriate for operations at Podgorica Airport.

The flight control operational base and the control tower are located south of the platform in a relatively new control tower facility. The fire station is located east of the flight control facility and is directly connected to the "J" taxiway. Existing general aviation operations take place in the area between flight control and the fire station, and the southern edge of the general aviation aircraft platform is used to house active ground handling equipment and, if necessary, to park small aircraft.

The warehouse is located south of the fuel supply service and the main access road on a landside. The facility is located on the border of a publicly accessible and controlled area (landside/airside) and is used for cargo services in Montenegro.

The remote technical platform is accessible via the taxiway "P", and with it the total area of the platform is approximately 18,000m².

One hangar is located along the western line of the technical platform and all the others are in proximity. They are used by both private and national airlines, such as Montenegro Airlines.

Tivat International Airport

According to the usual practice and purpose of the area, the Tivat Airport complex is divided into two basic parts: "airside" and "landside".

The "Airside" is a part of the airport intended primarily for airplane traffic. Access to this part of the complex is restricted and controlled. The "Landside" is part of the airport complex designed to access airport facilities and airside and is not under special security regime.

The airside traffic infrastructure of Tivat Airport consists of a runway that extends in the direction of 139 °-319 °, platforms for parking and servicing aircraft, taxiways and service roads. The passenger terminal with platforms and other facilities is located in the northern part of the complex, so from the aspect of traffic infrastructure configuration the airport is asymmetrically constructed. The land development index of the manoeuvring surfaces is absolutely minimal, which, together with the asymmetric configuration, has a very limited capacity.

The runway is 2500m long and 45m wide.

The main runway in Tivat Airport is 150m wide, which is less than the recommended width of 300m for airports where instrument landing procedures are applied. The proximity of the Tivat-Budva regional road to the runway axis is an obstacle to the necessary extension.

Also, due to the small distance between the route of the local Tivat-Ostrvo Cvijeca road and the runway threshold (RWY14) of only 39m, by the international standards required runway safety area in front of the runway has not been established.

The airport has a minimum configuration of manoeuvring surfaces, that is, aircraft parking platforms are functionally connected to the runway only via two taxiways. In addition to the fact that there are only two taxiways, they are of limited use.

The first taxiway connects the threshold of 14 runways and the northern part of the platform. The proximity of the local Tivat-Ostrvo Cvijeca road is a problem in this case as it limits the use of this taxiway for planes with larger wingspans. The

second taxiway connects the southern part of the platform with the runway and can only be used by planes with 33m wingspan.

There is an airplane parking platform at the airport that runs parallel to the direction of the runway.

Based on the analysis of the current situation, it can be concluded that the airport infrastructure does not have the required capacity and that in terms of the manoeuvring areas not all the international regulation requirements have been fulfilled.

The passenger building of Tivat Airport is a ground floor building, 10mx37m, of the surface of 4050m². Since the construction of the passenger terminal, several interventions have been made to increase the capacity of the building. Until 2006, these interventions mainly concerned the construction of canopies around the original facility, under which part of the passenger handling was carried out.

During the last extensive reconstruction of the building in 2005/2006, the canopies were removed, the original building was reconstructed and expanded resulting in a new air-conditioned facility with modern technological equipment for passengers and luggage handling.

As a consequence of limited investments, despite the fact that the reconstruction significantly increased the level of service, the problem of the capacities during the peak load has remained unsolved. For this reason, in 2018, the amount of 3.5 million euro was invested in the construction of a new 3000m² arrival terminal, providing a sorting luggage room, 6 check-in counters, 2 conveyors for anti-diversion control, representative offices for airlines, the Police and Custom Administration, toilets and boarding gates.

More detailed information on existing infrastructure and other facilities in the concession area is available from the applicable planning documents – State Location Study, Sector 24 – Tivat Airport (“Official Gazette of Montenegro” no. 20/13) and Local Location Study for Podgorica Airport (“Official Gazette of Montenegro” no. 035/18) and will be an integral part of the tender documentation.

Moreover, in June 2018, the technical due diligence for Podgorica and Tivat Airport was prepared, and will also be an integral part of the tender documentation.

8. OWNERSHIP STRUCTURE OF THE LAND TO BE USED FOR THE CONCESSION ACTIVITIES, METHOD FOR SOLVING PROPERTY AND LEGAL RELATIONS

Land ownership structure at Podgorica International Airport

At the time of drafting this Concession Act, property and legal relations regarding the concession area at Podgorica International Airport have been completely resolved.

Namely, Podgorica International Airport, including the current and planned extension area in accordance with the 2030 Airport Development Master Plan covers two cadastral lots: 541/6 and 541/12 in Golubovci cadastral municipality of the total surface of 2,515,798 m². The state of Montenegro is registered as the land owner, while the PE Montenegro Airports has the right to manage the location. The joint stock company Montenegro Airports is the legal successor of the Public Enterprise Montenegro Airports.

Real estate folios of the above lots will be an integral part of the Tender Documentation.

Ownership Structure of the Location of the Tivat International Airport

IMPLEMENTATION PHASE I

The implementation phase I at Tivat International Airport covers the following 225 cadastral lots in 2 real estate folios within Mrčevac cadastral municipality, of the total surface of 846.596 m²:

Mrčevac Cadastral Municipality, real estate folio no.	Lot	Holder of legal title
16	1254/1, 1254/2, 1254/3, 1268/1, 1268/3, 1268/4, 1268/5, 1268/6, 1269/1, 1269/2, 1269/3, 1270, 1271/1, 1271/2, 1272/1, 1272/2, 1273/1, 1273/2, 1273/3, 1273/4, 1273/5, 1275/1, 1275/2, 1275/3, 1275/4, 1276, 1277/1, 1277/2	Montenegro – ownership Government of Montenegro – right of disposition Joint stock company Montenegro Airports - management
1312	1235/2, 1235/3, 1235/4, 1236/2, 1237/2, 1239/2, 1241/2, 1241/3, 1248/2, 1248/3, 1249/1, 1249/2, 1249/3, 1249/4, 1249/5, 1249/6, 1249/7, 1249/8, 1250/1, 1250/2, 1251/1, 1251/2, 1252/1, 1252/10, 1252/11, 1252/12, 1252/2, 1252/3, 1252/5, 1252/6, 1252/7, 1252/8, 1252/9, 1253/1, 1253/2, 1255/1, 1255/2, 1255/3, 1255/4, 1255/5, 1255/6, 1256/1, 1256/2, 1256/3, 1256/4, 1256/5, 1257/1, 1257/2, 1257/3, 1257/4, 1257/5, 1257/6, 1258/1, 1258/2, 1258/3, 1258/4, 1258/5, 1258/6, 1258/7, 1258/8, 1259/1, 1259/2, 1259/3, 1260/1, 1260/2, 1260/3, 1261/1, 1261/2, 1261/3, 1262/1, 1262/3, 1262/4, 1263/1, 1263/2, 1263/3, 1264/2, 1265, 1266/1, 1266/2, 1266/3, 1266/4, 1267/1, 1267/3, 1267/4, 1267/5, 1267/6, 1267/7, 1278/1, 1278/2, 1278/3, 1278/4, 1279/1, 1279/2, 1279/3, 1279/4, 1279/5, 1280, 1281/1, 1281/2, 1282, 1283, 1284, 1285, 1286/1,	Montenegro – ownership Government of Montenegro – right of disposition

	1286/2, 1287, 1288/1, 1288/2, 1289, 1290/1, 1290/2, 1296/1, 1296/10, 1296/11, 1296/12, 1296/13, 1296/14, 1296/16, 1296/3, 1296/4, 1296/6, 1296/7, 1296/8, 1296/9, 1974/2, 1974/3, 1974/4, 1974/5, 1975, 2155/2, 2155/4, 2155/5, 2155/6, 2158/2, 2158/3, 2158/4, 2158/5, 2158/6, 2159, 2160/1, 2160/3, 2161/2, 2161/3, 2161/4, 2163/2, 2163/3, 2165/2, 2165/3, 2166/1, 2166/2, 2166/3, 2167/1, 2167/2, 2167/3, 2181/2, 2181/3, 2182/2, 2182/3, 2182/4, 2182/5, 2182/6, 2183/1, 2183/4, 2183/5, 2183/6, 2183/7, 2184/2, 2184/3, 2186/2, 2186/3, 2187/2, 2188/3, 2188/4, 2188/5, 2189/11, 2189/4, 2189/6, 2189/7, 2189/8, 2189/9, 2192/3, 2192/4, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2226, 2227, 2228.	
--	--	--

Real estate folios for the above lots will be an integral part of the Tender Documentation.

Note: Cadastral lot no. 1232/2, real estate folio 312 owned by Montenegro, with the joint stock company Jugopetrol having the right of use on the area of 10 m², and Montenegro having the ownership of 772 m² of the cadastral lot 1268/2, real estate folio 1143, whereas the Government of Montenegro has the right to use and the Serbia and Montenegro Air Traffic Services has the management right, are not covered by the concession site.

PHASE II

Phase II of the implementation covers the real estates in Mrčevac and Đuraševići cadastral municipalities, i.e. the total of 216 cadastral lots registered in 61 real estate folios of the total area of 560,125 m².

Phase II of the implementation is planned in the fourth and fifth year of the investment program, while property and legal relations regarding cadastral lots covered by the Phase II will be solved in line with the applicable legal regulation.

PHASE III

Phase III of the implementation covers the real estates in Đuraševići cadastral municipality of the total area of 173,892 m². Potential property and legal issues related to the above lots will be solved in line with the applicable legal regulation following preparation of the detailed planning documentation and, therefore, allotment survey, while the implementation of the Phase III is envisaged in the period from the 6th to the 30th year of the investment program.

Restitution procedure at the location of Tivat International Airport

At the concession area envisaged for the implementation of the Phase I at Tivat International Airport, there is a registration of the “restitution” in the real estate folio no. 16 in Mrčevac cadastral municipality; it refers to 4 restitution procedures at request of former owners, the requests of which will be concluded through the compensation or rejection, but there will be no land restitution. The real estates subject to the restitution requests have been identified and an analysis prepared; it will be included in the tender documentation in order to inform potential concessionaires of all relevant facts.

Other encumbrances at the location of Tivat International Airport

Other encumbrances registered in above real estate folios refer to the “maritime demesne”, easement annotation and annotation regarding the initiation of the litigation to establish rights, not affecting the concession procedure.

Method of solving property relations at the location of Tivat International Airport

The Grantor shall hand over the locations to the Concessionaire without any encumbrancy that may affect the subject of the Concession, according to the following dynamics:

- land required for Phase I of the implementation (the first three years of the investment program) **shall be handed over until entering of this Concession Agreement into force;**
- land required for Phase II of the implementation (4th and 5th year of the investment program) **shall be handed over within 24 months from the date of entering of this Concession Agreement into force;**
- land required for Phase III of the implementation (from the 6th to the 13th year of the investment program) – **shall be handed over within 48 months from the date of entering of this Concession Agreement into force.**

At the time of drafting this Concession Act, property and legal relations at the concession sites planned for the implementation of the Concession Phase I at Tivat International Airport have been entirely solved.

The Grantor will undertake to acquire ownership of all locations foreseen for Phases II and III (through expropriation, acquisition or other mechanisms available under Montenegrin law), without burdens that may affect the subject of the concession and to secure the right to the Concessionaire to use the relevant sites pursuant to the Concession Agreement (the "Concession Agreement") in accordance with Montenegrin law.

By passing the planning documentation for the concession site – State Location Study, sector 24 for Tivat Airport (“Official Gazette of Montenegro” no. 20/13), Local Location Study for Podgorica Airport (“Official Gazette of Montenegro” no. 035/18), the maritime area special-purpose spatial plan (“Official Gazette of Montenegro” no. 56/18), the public interest for expropriation of real estates has

been determined aimed at construction of planned facilities, pursuant to Article 8, paragraph 4 of the Law on Planning and Construction.

Should the need arise for third parties to be deprived of property rights for reasons of public interest, the Grantor will provide redress in any of the statutory ways.

9. TENDER PROCEDURE (TENDER DOCUMENTATION MAIN ELEMENTS)

The tender procedure is designed in a way to allow the Ministry and the Government of Montenegro to optimize the risk allocation in the context of the dialogue with qualified bidders in order to achieve the best value for money for the public sector in terms of terms, methods, quality and scope of the concession service provision.

In accordance with Article 38 of the Law on Concessions, the Ministry shall conduct a two-stage procedure and for such purposes shall form the tender commission tasked with the implementation of the tender procedure for the Concession.

The two-stage tender procedure is conducted in cases when concession projects are complex from the technical, technological, legal, financial or other points of view and/or when a large number of bidders is expected.

Two-stage procedure consists of the following:

- Stage 1: Request for pre-qualification, followed by
- Stage 2: Request for proposal.

At the first stage, the Ministry will publish the request for pre-qualification, while in the second stage, the request for proposal will be sent to qualified bidders from the first phase.

A local or foreign legal entity, acting as a single bidder or in a consortium, shall have the right to participate in the tender procedure by submitting only one bid. A consortium may not be comprised of more than 5 members. All consortium members shall have joint and several liabilities for the purpose of the bid. No prospective bidder may prequalify if it owns more than 5% of the shares (directly or indirectly), in another prospective bidder. If it has 5% or less, it should inform the Ministry thereof, aimed at obtaining the approval by the tender commission.

No individual bidder or consortium member may prequalify if it controls or is controlled by an airline company (or any other commercial aircraft operator).

9.1. Stage 1 – Request for Pre-qualification

In the stage 1, the Instruction to Bidders shall include, but not be limited to:

- (i) description of the context of the Project,
- (ii) description of the intended procurement process,
- (iii) the criteria and tests that will be used to evaluate the pre-qualification

- applications (but not necessarily the precise details to be used in the scoring or ranking since it could lead to manipulation by bidders),
- (iv) documentation that bidders need to submit (E.g. parent's or subsidiary's qualification) as evidence of fulfilment of the criteria,
- (v) the tender process timetable.

Responses to the RFQ will provide basic information necessary to pre-qualify and select the parties who will be invited to participate in the second stage.

The Tender Commission will determine which entities/consortia passed the threshold in all the relevant respects in a pass/fail test. Most of the criteria (such as net worth, experience, etc.) are expressed in terms of clear and objective thresholds that must be met in order to qualify.

Once the Tender Commission has pre-qualified the participants for the RFP stage, it will publish a second public invitation notice for stage 2.

9.2. Stage 2 – Request for proposal

In the stage 2, the Instructions to Bidders shall include, but may not be limited to:

- (i) the Project description,
- (ii) bids assessment criteria,
- (iii) documentation that bidders need to submit (E.g. parent's or subsidiary's qualification) as evidence of fulfilment of the criteria,
- (iv) the tender process timetable.

Bids submitted in response to the RFP must contain "all elements required and necessary" for the performance of the activities subject of the Concession. Bids must also contain a bid security, in a form acceptable to the Ministry.

After submission of final bids, these can be clarified, specified and fine-tuned to the extent permitted under applicable law, provided that this does not involve changes to the basic features of the tender when those variations are likely to distort competition or have a discriminatory effect.

The Tender Commission will then determine which bidder offers the most favourable bid against the criteria for most favourable bid determined in the Instructions to Bidders.

9.3. Proposed Tender Timeline

The Table below shows proposed tender timeframes¹:

Date	Milestone

¹ Depending on whether the Ministry provides decisions in a timely manner, providing bidders with all necessary information and whether bidders may engage resources to meet the set deadlines.

Aug/Sept 2019	Public invitation to participate in the Request for Qualification (indicatively 45 days)
October 2019	Prequalification Application Submission Deadline, Evaluation, Announcement of Prequalified Bidders
November 2019	Public invitation to qualified bidders to participate in the Request for Proposal (indicatively 60 days)
November 2019- January 2020	Bid preparation, submission, evaluation, announcement of Preferred Bidder, commercial close
February/March 2020	Financial closing (signing of all financing documents)/ completing all requirements for Concession Agreement effectiveness

10. REQUIREMENTS TO BE FULFILLED BY THE CONCESSIONER IN TERMS OF TECHNICAL EQUIPMENT, FINANCIAL CAPACITIES AND OTHER REFERENCES

The Concessionaire shall bear all financial risks and expenses related to the airport operations during the entire concession life span. Therefore the following qualification criteria are set:

10.1. Qualification Criteria

Bidders will have to demonstrate compliance with all mandatory eligibility criteria, pursuant to Article 23 of the Law on Concessions. The following shall be considered as ineligible to participate in a public competition for Concession award:

- business organisations, other legal entities and entrepreneurs against which bankruptcy or liquidation procedure was initiated, except for the reorganization procedure in line with the law governing insolvency of business organisations;
- business organisations, other legal entities, entrepreneurs, and natural persons that were convicted by a final judgement for a crime in performance of the professional activity;
- business organisations, other legal entities, entrepreneurs, and natural persons that have unsettled tax liabilities and liabilities arising from penalties pronounced in criminal or misdemeanour procedure in a period of at least three years prior to publishing of the public notice;
- business organisations, other legal entities, entrepreneurs, and natural persons that have operations (directly or through any subsidiary) or carry out transactions that are not in compliance with the sanctions promulgated by the UN Security Council or its Committees or national sanctions in Montenegro.

Bidders will demonstrate compliance with the above mandatory eligibility criteria, by submitting evidences issued by the relevant competent bodies, with date of issuance not older than 90 days starting from the day of the notice announcement.

Further, bidders will have to demonstrate that they fulfil the minimum technical and financial criteria in order to be qualified to participate in the Stage 2. The criteria are set as follows:

- (i) Technical criterion 1: the bidder (or if a consortium, the airport operator member) shall demonstrate that it currently actively operates both landside and airside activities in at least 1 airport serving at least 5 million international passengers per year in the last three years, and at least 1 airport serving at least 2 million passengers each per year in the last three years,
or,
the bidder (or if a consortium, the airport operator member) must demonstrate that it currently actively operates both landside and airside activities in at least 1 airport serving at least 10 million international passengers per year in the last three years.
- (ii) Technical criterion 2: the bidder (or if a consortium, any member) shall demonstrate that it has been responsible to (i) develop, design, engineer, procure and build, or (ii) manage and monitor airports construction, with a minimum aggregate value of EUR 300 million during the past 10 years, with an aggregate construction value of EUR 100 million in 1 airport at least.
- (iii) Technical criterion 3: the bidder (or if a consortium, the airport operator member) shall be provided with the license to operate, but not the license obtain through the acquisition (through the agreement on business and technical cooperation or purchase).
- (iv) Technical criterion 4: the bidder (or if a consortium, the airport operator member) shall be provided with the quality assurance certificate regarding the passenger services, airport development, contribution to the flight availability by having proper certificates.
- (v) Financial criterion 1: the bidder (or if a consortium, the financial member) shall demonstrate that it has a net worth of EUR 200 million in the past five reporting years. In case of a consortium, the aggregate net worth of all the consortium members shall be at least EUR 400 million in the past five reporting years.
- (vi) Financial criterion 2: the bidder (or if a consortium, the financial member) shall demonstrate that it has financed infrastructure projects with an aggregate value of at least EUR 300 million, including at least one project of EUR 100 million, in the past 10 years.
- (vii) Financial criterion 3: the share of the airport operator in the consortium shall be at least 10%.

The bidders will be required to submit evidence of the fulfilment of these qualification criteria.

The Tender Commission will perform the detailed evaluation of the applications, to assess the responsiveness and compliance with these qualification criteria, in accordance with the applicable law.

11. THE MOST FAVOURABLE BID SELECTION CRITERIA

The qualified bidders will be invited to submit a technical and financial proposal and a proposal to improve the flight availability in line with the Instructions to Bidders for stage 2. No conditional bid shall be accepted.

Technical proposals shall be evaluated based on a combination of scoring of non-subjective parameters and on a pass/fail basis against pre-defined criteria (e.g. functionality, binding business plan, and level of financial commitment).

Financial proposals shall be evaluated based on:

- offered upfront concession fee value;
- the gross revenue percentage as the annual concession fee;
- investment program.

The proposal to improve the flight availability will be evaluated based on:

- proposed improvement of the flight availability (for example, new routes, maintaining of the existing routes, ensuring direct flights to main European destinations, etc.).

The bidder offering the highest weighted average of technical and financial offers as well as proposed improvement of the flight availability shall be declared the winner.

The Tender Commission will perform the detailed evaluation of the proposals, to assess the responsiveness and compliance with the submission requirements, in accordance with the applicable laws.

12. INVESTMENT SCOPE AND SCHEDULE

The expected investment shall be **at least EUR 80 million during the first investment phase (first 3 years), and at least EUR 200 million during the concession life span.**

Investment schedule

The implementation of the investment program is divided into three phases:

- First implementation phase – first 3 years of duration of the Concession Agreement
- Second implementation phase – 4th and 5th year of duration of the Concession Agreement
- Third implementation phase – from 6th to 13th year of duration of the Concession Agreement.

MINIMUM INVESTMENT SCOPE DURING THE FIRST PHASE

During the first phase on the investment program (the first 3 years), the minimum investment activities shall include but not be limited to the following:

Podgorica International Airport:

- passenger terminal extension/construction by 12,500 m² and expansion of a section of the platform (the total of 8 airbridges);
- construction of the runway shoulder;
- expansion of the existing parking space (in order to double the capacities).

Tivat International Airport:

- construction of the Tivat Sky Pier for the public passenger transport, including also access roads;
- construction of the Marine Air Terminal (MAT) in close proximity to the marine air terminal for passengers arriving to the airport by sea;
- overhaul of existing runways;
- the existing runway extension (reallocation of the landing runway for aircrafts coming from the direction RWY14);
- the relocation of the existing road to Ostrvo cvijeća and its construction at a new location envisaged by the State Location Study, as an urban road with protective screens toward the runway.

MINIMUM INVESTMENT SCOPE DURING THE SECOND PHASE

The second phase on the investment program (lasting for two years, i.e. the fourth and fifth year of the investment program) the minimum investment activities shall include but not be limited to the following:

Podgorica International Airport:

- additional platform expansion (ensure the total of min 11 airbridges);
- general aviation platform expansion;
- expansion and construction of taxiway shoulders in line with the applicable planning documentation.

Tivat International Airport:

- construction of a new taxiway;
- expansion of the existing platform in line with the applicable planning documentation.

OTHER INVESTMENTS IN THE SECOND AND THIRD PHASE

Investment activities of the selected bidder exceeding solutions contained in the currently applicable planning documentation, may be included in the second or third phase of the investment cycle (from the fourth to the thirteenth year of the investment program).

Potential activities may include but not be limited to the following:

Podgorica International Airport:

(Activities will be implemented within the scope of the adjacent LLS plan „Cijevna – planning unit 2.5“ and later through the development of the General Regulatory

Plan)

- passenger terminal extension by additional 12,500 m² toward west, construction of commercial facilities, logistics, representative offices, high-tech industry, hotel, congress center, etc.

Tivat International Airport:

(Activities will be implemented through within the scope of the adjacent LLS plan "Sector 25 – Kalardovo – Ostrvo cvijeća – Brdišta" and later on through the General Regulatory Plan)

- construction of a new terminal zone "South".

The Concessionaire's obligation will be performance based, i.e. the Concession Agreement will define the minimum service level to be met by the Concessionaire and investments will be made by the Concessionaire in a manner and within timeframes required by the need to maintain and expand capacities due to the traffic growth.

Bidders shall be free to propose the investment program that they deem fit to fulfil the requirements stipulated by the Grantor, with the obligation to fulfil listed min. investment requirements during the first and the second phase of the investment program. This approach is designed to maximize the benefits of bringing in private sector expertise and efficiency.

Finally, the Airports of Montenegro have not obtained certification from the Civil Aviation Agency (CAA), which is a legal requirement. The Concessionaire will be required to obtain and maintain the airport certification, thus will have to make all the investment necessary to upgrade and maintain the infrastructure, which will then be subject to the evaluation of the Civil Aviation Agency. Moreover, the Concessionaire shall comply with required procedures in order for Montenegro to maintain the One Stop Security Project.

13.CONTENT OF THE CONCESSION AREEMENT

The Concession agreement shall define rights and responsibilities of the parties.

The draft concession agreement is provided in Schedule 2 to the Concession Act.

The concession contract shall contain, including but not limited to:

- 1) parties to the contract;
- 2) rights and obligations of parties to the contract;
- 3) subject matter of the concession;
- 4) requirements and manner of use of subject matter of the concession;
- 5) duration of use of subject of the concession;
- 6) amount, deadlines, requirements and the manner of payment of the concession fee;
- 7) commencement of the concession activity;
- 8) manner and deadlines for securing funds for financing concession activities (financial plan) and investment schedule;
- 9) duration of preparatory activities;
- 10) products and services standards, technology transfer;

- 11) funds and property provided by the Grantor;
- 12) amount and the manner of providing guarantees for execution of the concession contract;
- 13) actions of the Concessionaire with regard to objects found during exploitation of subject of the concession, representing historical, cultural, or natural value;
- 14) the obligation of revitalization of natural wealth, or rehabilitation-reclamation of the areas degraded by the performance of the concession activity;
- 15) conditions for amendments or termination of the contract in the case of changed circumstance and force majeure;
- 16) description of events regarded as changed circumstances and force majeure;
- 17) conditions for cessation of the concession contract, sanctions and fees in case that parties to the contract fail to meet their obligations;
- 18) requirements for carrying out concession activity, criteria and methods for determining prices or tariffs for products and services for end users;
- 19) rights and obligations in relation to undertaking measures for providing overall safety, health protection and environmental protection, improvement of the energy efficiency as well as responsibility for compensation of damage caused by jeopardising overall safety and environmental protection;
- 20) provisions on time and manner of transfer of the immovables, structures, devices or plants to the Grantor and the condition in which they have to be transferred;
- 21) the manner of disputes resolution and exercising applicable law;
- 22) other elements important for the subject of the concession.

The draft concession agreement is indicative and subject to change.

14. CONDITIONS AND METHODS OF PERFORMANCE OF CONCESSION ACTIVITIES AND TERMS, METHODS, QUALITY AND SCOPE OF CONCESSION SERVICES

In the context of the scope of concession service, it is important to emphasize that Montenegro must further improve its accessibility by introducing more direct and charter lines from desirable markets covering Montenegro, especially during the peak tourist season, but also through competitive airfare prices, especially prices of airport services, as will be expected from the Concessionaire.

Needs of the investment community formed in Montenegro, which entails highly standardized demand and at the same time sets justified and desirable demands on the air carrier and airports of Montenegro, which on the other hand are expected to have highly sophisticated service delivery should not be neglected.

Therefore, in terms of the concession activity and the presented Concession Investment Program it is expected that the Concessionaire will:

- a. improve and develop direct traffic at the airports;
- b. expand capacities of Podgorica and Tivat airports, within the concession sites boundaries;

- c. comply with Montenegrin and ICAO standards in the area of civil aviation, as well as with decisions, resolutions, conclusions and orders of the Government, ministries, Civil Aviation Agency, national boards in the area of the civil aviation and security services regarding the air transport security and safety and eliminate all incompliances identified during certificates issuing process at the Airports to the best of the Concessionaire's abilities.

The scope of services to be provided by the Concessionaire will be defined in detail by the Concession Agreement, and a proposal for airport services is given in Schedule 3.

Although the concession area does not include the lots at Podgorica Airport used by the Ministry of Defence and the Army of Montenegro, and given the fact that the airport is both civilian and military, the Concessionaire is expected as follows:

- to comply with provisions of international contracts signed by Montenegro, and in particular, obligations stemming from the NATO membership;
- to comply with provisions of already signed contracts between the Ministry of Defence and the Montenegro Airports;
- to ensure the right on free-of-charge use of runways and manoeuvring areas at Podgorica and Tivat airports to Montenegrin military airplanes to members of the Partnership for Peace (PIP) program;
- to ensure compliance with the specifics of military flight given in the instruction for use of the military section of the airport for operational flight and the future regulations for the operational flight of state aircrafts;
- to ensure unhindered access to the manoeuvring areas and runway of Podgorica Airport for Montenegrin military aircrafts, NATO aircrafts and military aircraft of members of the "Partnership for Peace" program in case of physical separation (obstacles) between the civilian and military part of the airport in order to define the sterile areas of the Podgorica Airport;
- to leave the possibility of certification of the military airport when defining the sterile areas of the Podgorica Airport.

15. EXCLUSIVITY CLAUSE

The Concessionaire will not be allowed to operate, directly or indirectly, during the term of the concession, any other airport situated **within a 150km radius** from Podgorica International Airport and within a 150km radius from Tivat International Airport, with the exception of airports located in Montenegro.

16. ENVIRONMENTAL PROTECTION MEASURES AND ENERGY EFFICIENCY IMPROVEMENT

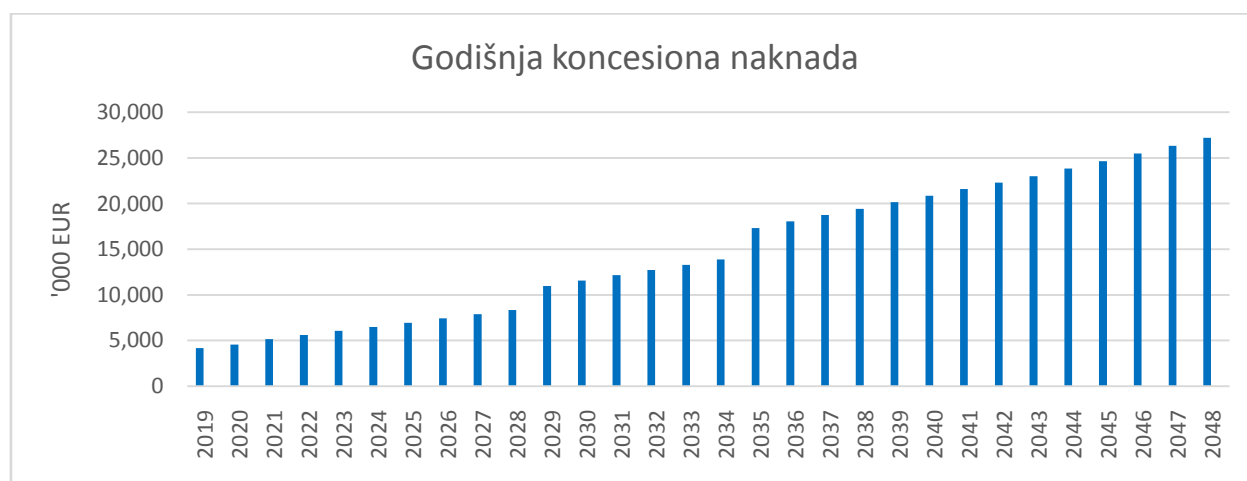
The Concessionaire shall have the obligation to implement the project in accordance with applicable regulation as well as signed international agreements, treaties and conventions in the area of the environmental protection.

The Concessionaire shall be naturally incentivized to operate in an energy-efficient manner in order to maximize the profitability of the business.

17. CONCESSION FEE INITIAL AMOUNT

The grantor used the financial model to simulate the possible annual concession fee paid by the Concessionaire to the Grantor, using the base case traffic growth, as well as a more optimistic traffic growth scenario, as illustrated in the graph below.

Estimated Annual Concession Fee



Therefore, the grantor run several scenarios in order to strike a balance between maximizing overall cash flows for the Grantor over the life of the project and receiving an acceptable upfront fee to contribute to Montenegro's budget.

The assumptions are as follows:

- a) the higher the upfront concession fee, the lower the annual concession fee;
- b) the higher the upfront fee, the higher the risk transfer to the Concessionaire, hence the higher the risk premium paid by the Concessionaire and the lower the annual concession fee;
- c) the higher the upfront fee, the lower the financial viability of the project (increased debt burden);

The grantor used the financial model to determine what is the optimal level of upfront payment that keeps the project economically viable, while maximizing the proceeds to the Grantor.

Based on the financial analysis of the Airports' business operations, it is financially feasible to request the payment of a fixed, upfront fee, payable at financial close, in order to bring forward the payment of the Concession fee.

Overall, it is estimated that the Government will receive substantial proceeds stemming from the concession fee.

Based on the above, the initial amount of the concession fee (upfront and annual) will be as follows:

Concession Fee	Concession fee initial amount
Upfront concession fee	Minimum 100 m EUR
Annual concession fee	Minimum 10% of gross revenues

18. SERVICES TARIFF SETTING

Pursuant to the applicable regulation, aeronautical charges shall be defined in the Concession Agreement. Charges shall be expressed in Euros, and subject to adjustment mechanism. The Concession Agreement shall include a provision describing the methodology to set the aeronautical charges in order to comply with applicable Montenegrin laws and the relevant EU Directives. **At all times the Ministry retains the power to approve or disapprove changes in charges.**

At present, the maximum amounts of Aeronautical Charges are calculated under current Pricelist of Airport of Montenegro. For the purpose of the Concession Agreement, the Concessionaire shall have the right to increase charges, within certain conditions and limits, with reference to the ECAA Agreement, EU Acquis (Directives) and ICAO, and including consultations with airlines and provision of potential justification of charges on a cost reflective basis, **and subject to the approval of the Ministry.**

The Concessionaire may negotiate discounts to those charges with each individual airline, on a non-discriminatory basis.

Non-aeronautical charges shall be market-driven.

All existing agreements shall be transferred by the Airport of Montenegro to the Concessionaire, subject to approval from the counterparty.

19. STATUS OF THE FACILITIES AT HANDOVER

The Concession Agreement includes provisions to ensure that the airport operations are maintained as a going concern at handover, without discontinuation of services. All consents, licenses, staff etc. shall therefore be maintained.

At least 9 months before the expiry, the Concessionaire must provide complete operation and maintenance training to the MoT's managerial and operational personnel in preparation for handover. The Concessionaire must also handover operating manuals kept current throughout the term of the Concession.

No less than 24 months before the expiry of the Concession Agreement, the Concessionaire and the Government of Montenegro shall conduct jointly an inspection to estimate and agree upon the required handback works to be completed by the Concessionaire. The inspection shall be repeated 12 and three months prior to expiry. The Concessionaire shall also provide to the Government of Montenegro a handback security for the agreed amount of the handback works.

All immovable assets and all movable assets required to maintain the Airports operational shall be transferred back to the Government of Montenegro on expiry, including staff.

20.CURRENT STAFF OF THE AIRPORTS OF MONENEGRO JSC

The Concessionaire will have the obligation to offer to existing employees of Airports of Montenegro JSC an employment contract on the terms and conditions agreed in a collective agreement of the joint stock company for services in air traffic „Montenegro Airports“.

SCHEDULE 1- List of Applicable Regulations

- Law on Concessions (“Official Gazette of Montenegro”, no. 08/09);
- Decree on Detailed Procedure for Implementation of the Public Tender Procedure in an Open and Two-stage Concession Award (“Official Gazette of Montenegro”, no. 67/09);
- Rulebook on Content and Manner of Keeping of Concession Agreements Registry (“Official Gazette of Montenegro”, no. 47/2009, 32/2015);
- Air Traffic Law (“Official Gazette of Montenegro”, no. 30/2012 and 30/2017);
- Rulebook on Detailed Requirements for Issuance of Airport Operator Certificate (“Official Gazette of Montenegro”, no. 12/2014);
- Rulebook on Standards and Criteria for Undisturbed Use of Operational Surface, Objects, Devices and Equipment at the Airport (Official Gazette of Montenegro, no. 29/2014, 56/2015, 19/2017, 8/2018 and 71/2018);
- Rulebook on Conditions and Manner for Professional Training, Acquiring, Issuing, Renewing and Extending the Validity of License and Authorization of the Aircraft Crew for Preparation, Dispatch and Tracking of the Flight (“Official Gazette of Montenegro”, no. 65/2012 and 18/2018);
- Rulebook on Content and Manner of Keeping the Airports Registry (“Official Gazette of Montenegro”, no. 43/2017);
- Rulebook on Providing Ground Handling Services at the Airport (“Official Gazette of Montenegro”, no. 68/2015);
- Rulebook on the Manner for Expanding and Limitations of Airport’s Capacity, Harmonization of the Flights Schedule and Awarding Flight Slots (“Official Gazette of Montenegro”, no. 49/2014);
- Rulebook on Professional Training of the Persons who Perform Services Essential for Air Traffic at the Airport (“Official Gazette of Montenegro”, no. 20/2014);
- Rulebook on Conditions and Manner for Emergency or Medical Help at the Airport (“Official Gazette of Montenegro”, no. 62/2012);

- Rulebook on Performing Rescue-Fire Protection Services at the Airports (“Official Gazette of Montenegro”, no. 47/2012);
- Order on Airports’ Obligatory Open Time for Air Traffic (“Official Gazette of Montenegro”, no. 25/2018 and 28/2018);
- Law on Obligations and Basis of the Property Relations in Air Traffic (“Official Gazette of Montenegro”, no. 18/2011 and 46/2014);
- Law on Urban Planning and Construction (“Official Gazette of Montenegro”, no. 64/2017);
- Law on Maritime Demesne (“Official Gazette of Montenegro”, no. 14/92)
- Rulebook on Development, Scope and Detailed Content of Technical Documentation Required for Construction of Buildings (“Official Gazette of Montenegro”, no. 44/2018);
- Law on Obligations (“Official Gazette of Montenegro”, no. 47/2008, 4/2011 and 22/2017);
- Law on Companies (“Official Gazette of Montenegro”, no. 17/2007, 80/2008, 40/2010, 36/2011 and 40/2011);
- Law on State Property (“Official Gazette of Montenegro”, no. 21/2009 and 40/2011);
- Law on Proprietary Relations (“Official Gazette of Montenegro”, no. 19/2009);
- Rulebook on Requirements and Administrative Procedures related to Airports (“Official Gazette of Montenegro”, no. 39/2018);
- Rulebook on requirements for setting up and operating Security Management System at Airports (“Official Gazette of Montenegro”, no. 70/2018);
- National Air Transport Security program; and
- National Civil Aviation Security Program.

SCHEDULE 2- Draft Concession Agreement

SCHEDULE 3 – Airport services proposal

Airport services shall include but not be limited to the following activities at the each airport:

- (a) provision of the platform space for parking of aircraft;
- (b) handling of parked aircrafts (including the supply of fuel, in-flight catering, servicing the aircraft between flights and other provisions as determined by the aircraft operator);
- (c) access to aircrafts and equipment for hangarage (based on availability) and facilitation for the provision of aircraft maintenance, repair and overhaul services;
- (d) handling of cargo at all stages while on land including the transfer of cargo to and from the aircraft and parking/access roads for surface transportation (trucks, cars, etc.) related thereto;
- (e) handling of passengers and their baggage at all stages within the terminal and to the aircraft, including the transfer of passengers and their baggage (including transfer and transit passengers) to, from and between aircraft and the provision of information services to passengers, according to the National Civil Aviation Safety Program and risk assessment set for that particular airport by relevant authorities;
- (f) provision of car parking facilities for passengers, visitors, airport staff as well as other people visiting the airports;
- (g) offering of food and beverage to passengers, general public and employees at the Airports and other people visiting the airports;
- (h) offering of consumer goods (whether duty paid or, to the extent permitted by Applicable Law, duty free) and essential services (including bureau de change, tourist information, ground transportation, hotel reservation) to passengers and staff at the airport and other people visiting the airports;
- (i) offering of motor vehicle and equipment fuel services as necessary to operate the airports and a service station (and related services) for vehicles accessing the airport sites;
- (j) provision, operation and maintenance of visual aids and airfield accessories such as approach and runway lights, taxiways lights,

- directional signage, runway and taxiway markings, platform lighting, security lighting and other lighting fixed to the airport sites relating to the landing, take-off and movement of aircraft over, around or on the airport sites and for general safety and security purposes;
- (k) access and provision of space for the movement of passengers and staff to connect with ground transportation within the airport sites;
 - (l) lease of land and assets and general maintenance of the airport site;
 - (m) maintenance, when and where necessary, of the surfacing and other surfaces around the runways and taxiways, improvement and expansion, when and where necessary, of the airport and security systems (including electric and power systems and related equipment, back-up power supply, information system, offices, personnel, equipment, safety fence, etc.);
 - (n) support and assistance to disabled passengers and passengers with reduced mobility on arrival, transit and departure;
 - (o) standard state-of-the-art technological improvements related to the efficient operation of the airport, which include environmental management and the impact of aircraft noise;
 - (p) provision of facilities and services normally provided at airports prior to the date of entry into force of the Agreement, as well as facilities and other incidental services that can reasonably be expected to operate an international airport, such as snow and ice removal or defrosting;
 - (q) provision and management of utility services;
 - (r) providing space for the grantor, air carriers and government bodies; and
 - (s) enabling passengers to access other, connected forms of traffic, that is, roads and/or water transport near Tivat Airport.