

Airports of Montenegro

Pre-Bid Conference
October 31st, 2019



Lead Transaction Advisor



Specialized Advisors to IFC

GIDE

karanovic/partners



ALG TRANSPORTATION
INFRASTRUCTURE
& LOGISTICS

Objectives



Objectives of the Government of Montenegro

Enhance the competitive positioning of Montenegro Airports to support Montenegro as a high-quality tourism destination in Europe,

Leverage private sector investment to modernize and expand the infrastructure at Montenegro Airports,

Increase service quality standards and improve operational efficiency in line with international best practices

Monetize the assets' optimal value

Tender Committee & Advisory Team

Tender Committee

A Tender Committee (“TC”) comprised of representatives from the Government of Montenegro, the MoT and the MoF has been established to oversee the implementation of the tender for the Project. Deputy Prime Minister Milutin Simović is the chair of the TC.

Advisory Team



The International Finance Corporation (“IFC”) has been appointed as Lead Advisor by the MoT to assist with the structuring and implementation of the Transaction. The following specialized firms are supporting IFC:



Introduction



A Stable Economy on the Verge of EU Accession

Basic Information

- Located in Southeastern Europe
- Coastal access to Adriatic Sea; bordered by Croatia, Bosnia & Herzegovina, Serbia, and Albania
- Geography varies from mountain ranges to narrow Adriatic coastal plain
- The government system is a republic
- Montenegro has a service based market economy
- Montenegro is a member of the Central European Free Trade Agreement (CEFTA)

Fact Sheet

Capital City: Podgorica (+1 GMT)

Population: 0.614 million (2018) [CIA Factbook]

President: Milo Đukanović

Prime Minister: Duško Marković

Currency: Euro (EUR)

Major Languages: Montenegrin (official) 37%, Serbian 42.9%, Bosnian 5.3%, Albanian 5.3%, Serbo-Croat 2% (2011 est.)

Religions: Orthodox 72.1%, Muslim 19.1%, Catholic 3.4%

Key Economic Facts

Income Level (GNI): Upper Mid-Income

GDP (nominal): \$5.42 billion (2019) [IMF]

GDP (PPP): \$12.52 billion (2019) [IMF]

GDP per Capita: \$8.7k (2019) [IMF]

GDP per Capita (PPP): \$18.9k (2018) [GoM]

Real GDP growth: 5.1% (2018) [GoM]; 3.0% (2019) [IMF]

Projected CPI Change: 2.6% (2018) [GoM]; 1.1% (2019) [IMF]

External Debt: \$3.69 (2018) [Ministry of Finance]

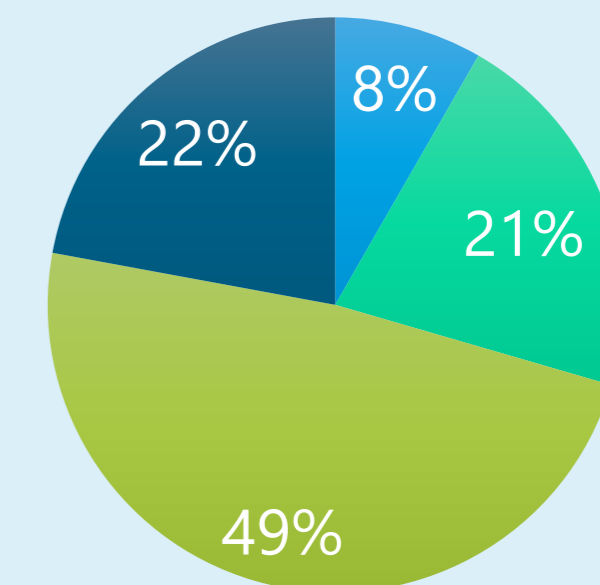
Current Account : -\$0.8 billion (2018) [IMF]

Political Stability

- Front-runner EU candidate in the Western Balkans (opened 32 of 33 pre-accession Chapters)
- Recently acceded to NATO; Euro-Atlantic integration process is looking brighter than ever.



GDP Composition by Sector



■ Agriculture ■ Industry ■ Services ■ Tourism

Attractive Business Climate

Global Rankings		Year	Trend
Corruption Perceptions Index	67 / 180	2018	▼
Global Competitiveness Index	73 / 141	2019	▼
Global Enabling Trade Index	62 / 136	2016	▲
Index of Economic Freedom	92 / 186	2019	▼
International Logistics Performance Index	77 / 160	2018	▬
KOF Index of Globalization	55 / 197	2019	▲
Networked Readiness Index (NRI)	51 / 139	2016	▲
Ease of Doing Business Index	50 / 190	2019	▲

Country Credit Ratings - Montenegro

**STANDARD
& POOR'S**

Rating: B+

Outlook: Stable

Last Change: 09/2019

MOODY'S

Rating: B1

Outlook: Positive

Last Change: 10/2019

**Based on latest available ranking and in comparison with previous available ranking.*



Stimulating Investment Features

Long term passenger growth driven by tourism, expected to reach 6 million passengers per year by 2037

Improvement of non-aeronautical revenues

Abundant natural beauty, unspoiled tourism destination, few hours flight from most major European capitals

Dynamic growth, and positive benefits of economic reforms driven largely by EU accession negotiations

Well-sized and phased investment program

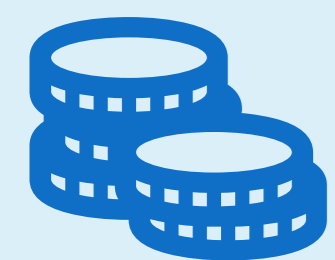
Supportive grantor, stable aviation policy, enabling regulatory framework

Transparent, competitive tender process with objective selection criteria

A Unique Investment Opportunity

Concession will drive Foreign Direct Investment
spurring overall economic development

Experienced and dedicated
staff support operations of
the Airports



Exceptional business
environment with
favorable tax rates,
expanding economy and
stable political scene

Highest passenger
growth potential in the
region as tourism
prospects are unraveled



Growth acceleration is
imminent upon
Montenegro's accession
to the EU





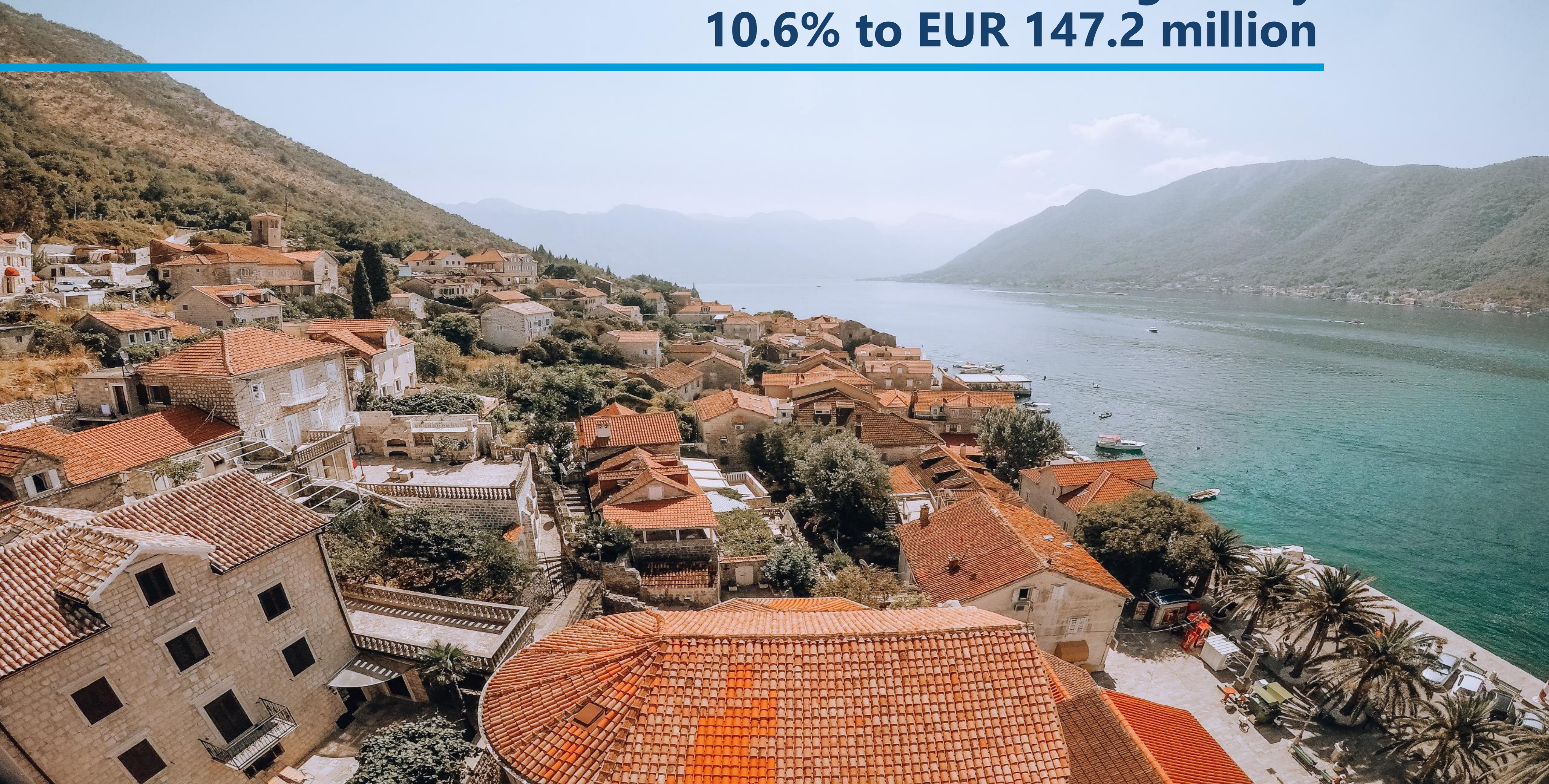
Montenegro is expected to accede to the EU by 2025

Total FDI inflow reached EUR 843 million in 2018 (+26% compared to 2017)

[Montenegrin Investment Promotion Agency (MIPA)]



**In 2018, investments in real estate grew by
10.6% to EUR 147.2 million**



Montenegro has a favorable tax regime with the lowest corporate tax rate in the region at 9%



Tourism



Tourism in Montenegro - Overview

Overview

- More than 600.000 tourist arrivals in August 2019 alone
- European tourists form approximately 92% of total foreign visitors
- All time average high of 183,738 per month in 2018
- High seasonality effect; the dominant tourist season is summer
- Budva Riviera has historically been the largest national tourist attraction
- Plans to develop winter tourism destinations

Historical Tourist Arrivals (monthly basis) [2010-2018]

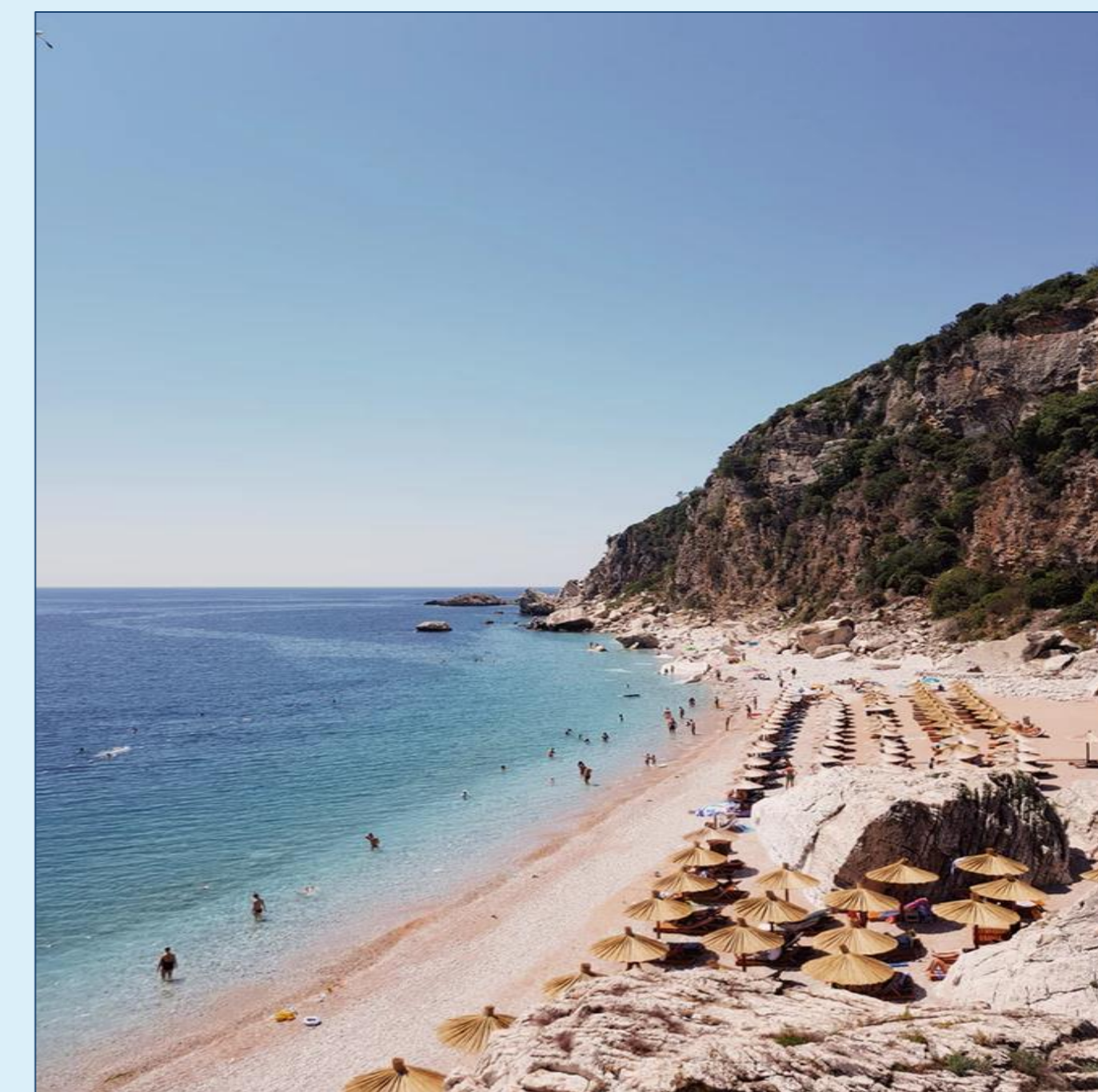


Source: Monstat

Top 5 Tourist Countries of Origin

Country	% p.a.
Serbia	19.7%
Russia	16.3%
Bosnia & Herzegovina	9.3%
Germany	4.3%
France	3.7%

Source: Monstat

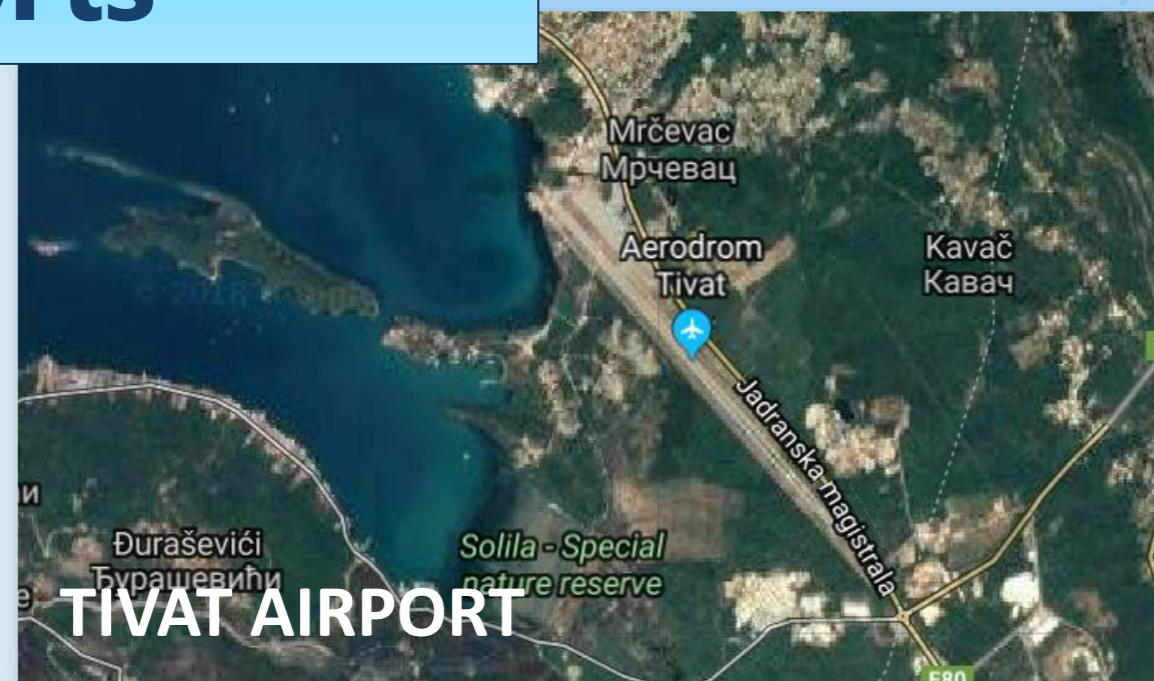
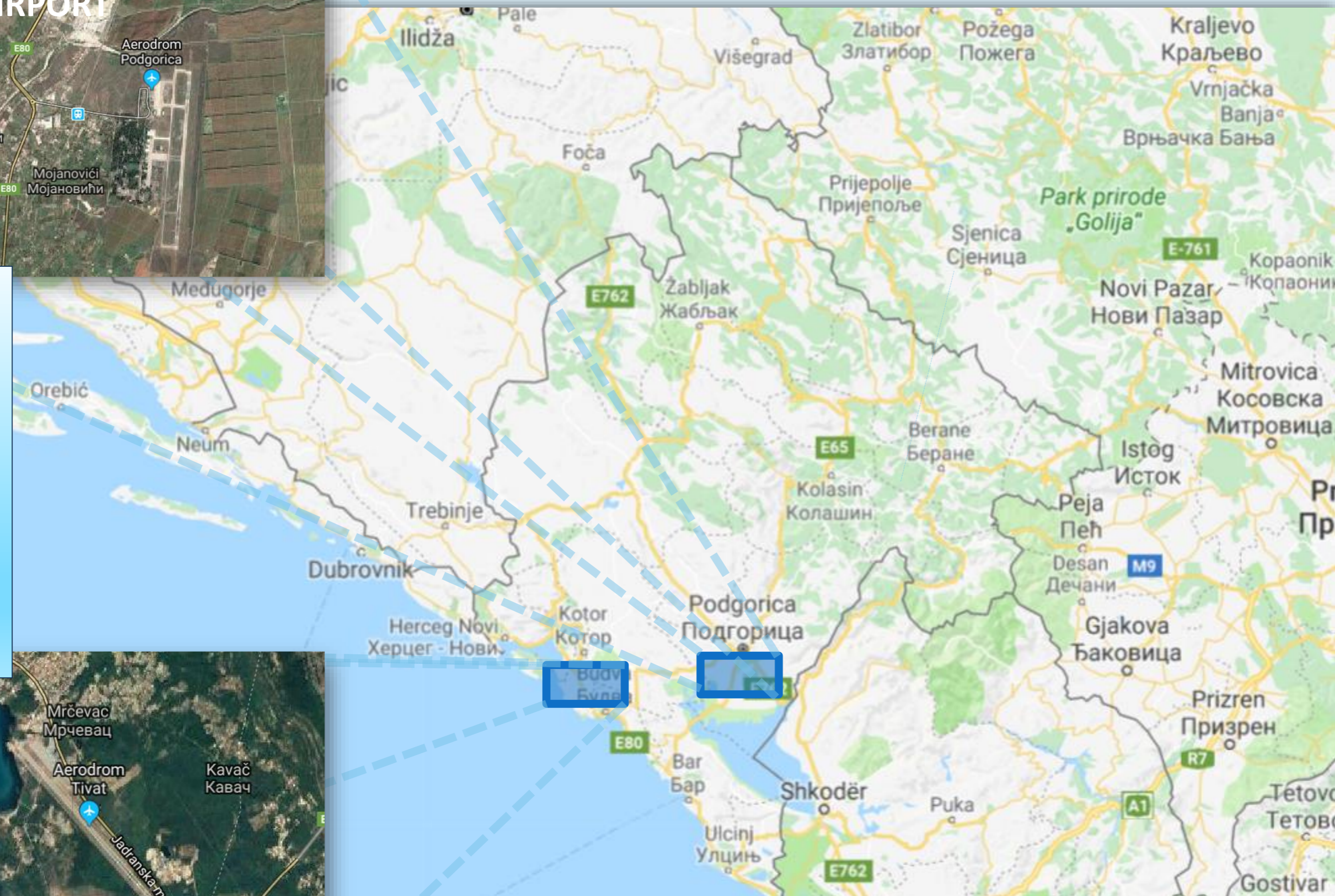
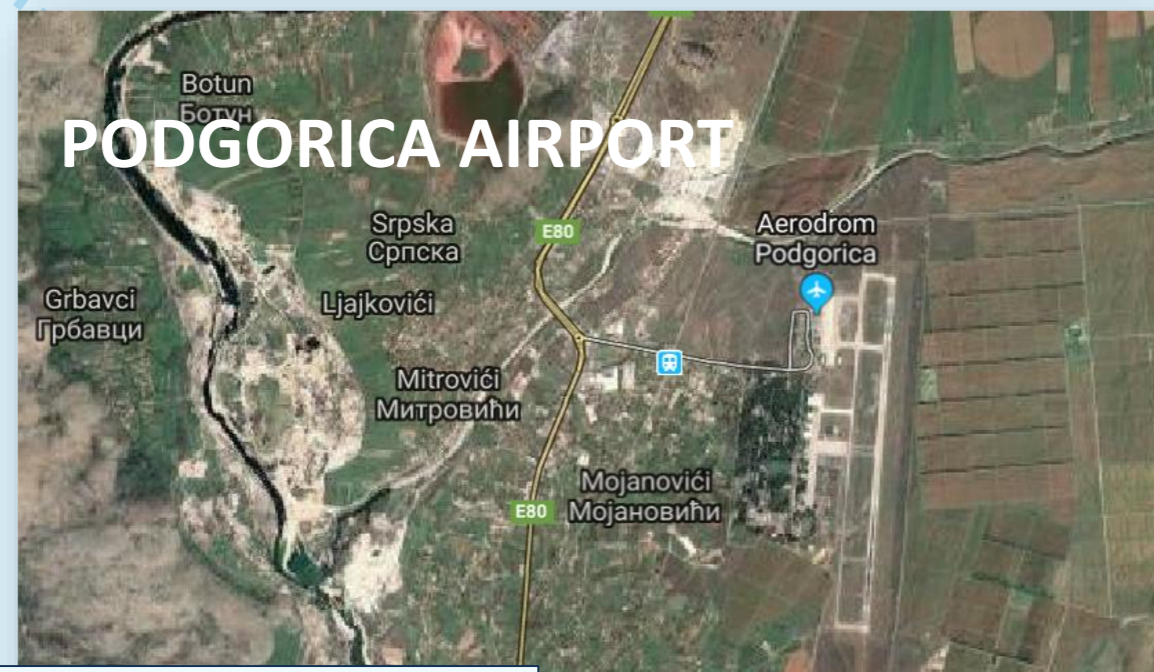


Tourism in Montenegro – Tourist Arrivals

- In 2018, 21.6% of GDP attributed to travel and tourism.
- Tourism investment in 2018 amounted to EUR 340 million
- Accommodation capacity of more than 160,000 beds, with more than 10% of these in high-quality hotels.
- 90% of total international arrivals are concentrated on the coast.
- GoM aims to attract investments to continue developing sustainable, high-quality resorts, tourism infrastructure and services on the coast and mountains.
- About 76% of the Montenegrin population is located in the non-coastal interior regions.



The Concession includes activities for TIV & TGD



Concessionaire will have opportunity to **Invest in, operate and maintain TIV & TGD International Airports**

The Concessionaire will contribute to the development of new routes for Montenegrin citizens and tourists alike

❑ Only **Belgrade and Moscow** reachable year-round from Tivat Airport



❑ New regional lines in the pipeline to integrate coastal tourism

❑ New destinations focused on **diaspora** of Montenegrin citizens

❑ New seasonal origins from focal points in UK, Germany and CIS





In 2018, 2.1 million tourists visited Montenegro

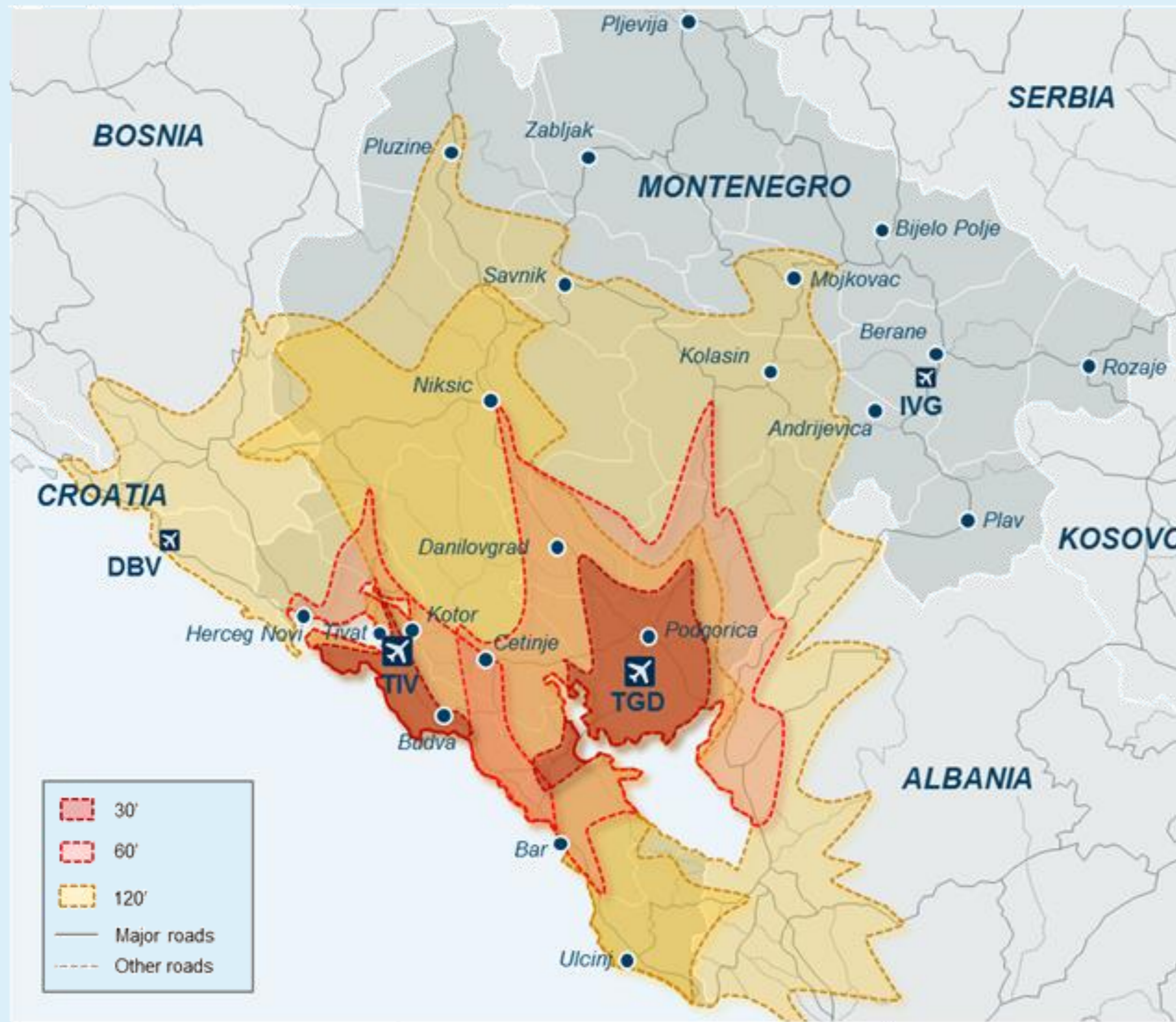
Hidden potential in the development of Montenegro's mountainous north



Market & Traffic



Catchment Areas: TGD & TIV

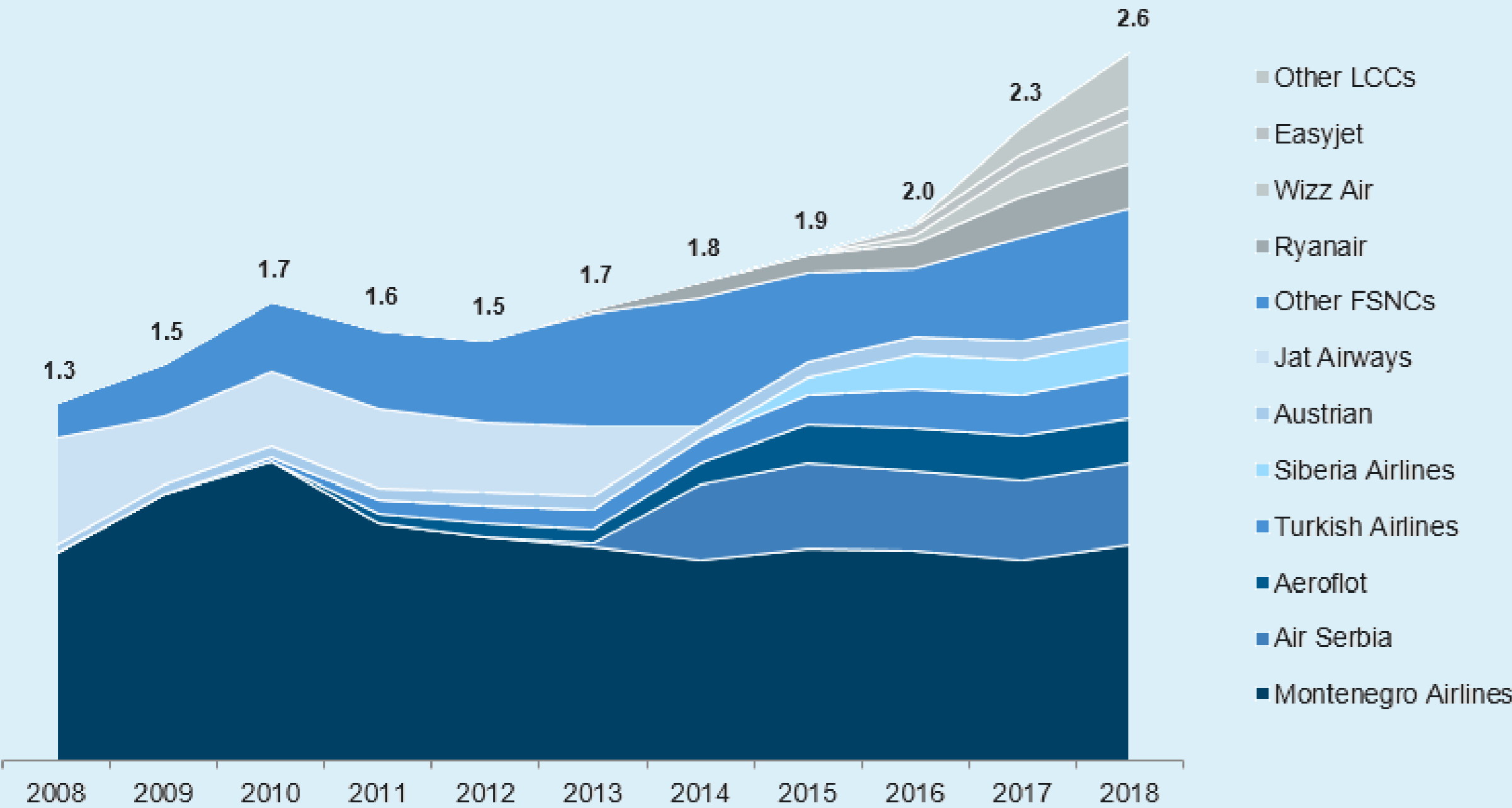


Town	Travel Time (min)		Natural Catchment Area (TIV vs TGD)	
	TIV	TGD	TIV	TGD
Andrijevica	235	90	28%	72%
Bar	70	50	42%	58%
Berane	240	160	40%	60%
Bijelo Polje	220	140	39%	61%
Budva	25	70	74%	26%
Cetinje	65	50	43%	57%
Danilovgrad	105	35	25%	75%
Herceg Novi	60	150	71%	29%
Kolasin	170	90	35%	65%
Kotor	10	90	90%	10%
Mojkovac	190	110	37%	63%
Niksic	105	65	38%	62%
Plav	270	180	40%	60%
Pljevlja	235	205	47%	53%
Pluzine	150	110	42%	58%
Podgorica	90	10	10%	90%
Rozaje	270	180	40%	60%
Savnik	140	135	49%	51%
Tivat	10	95	90%	10%
Ulcinj	100	80	44%	56%
Zabljak	170	135	44%	56%

Source: Ricover

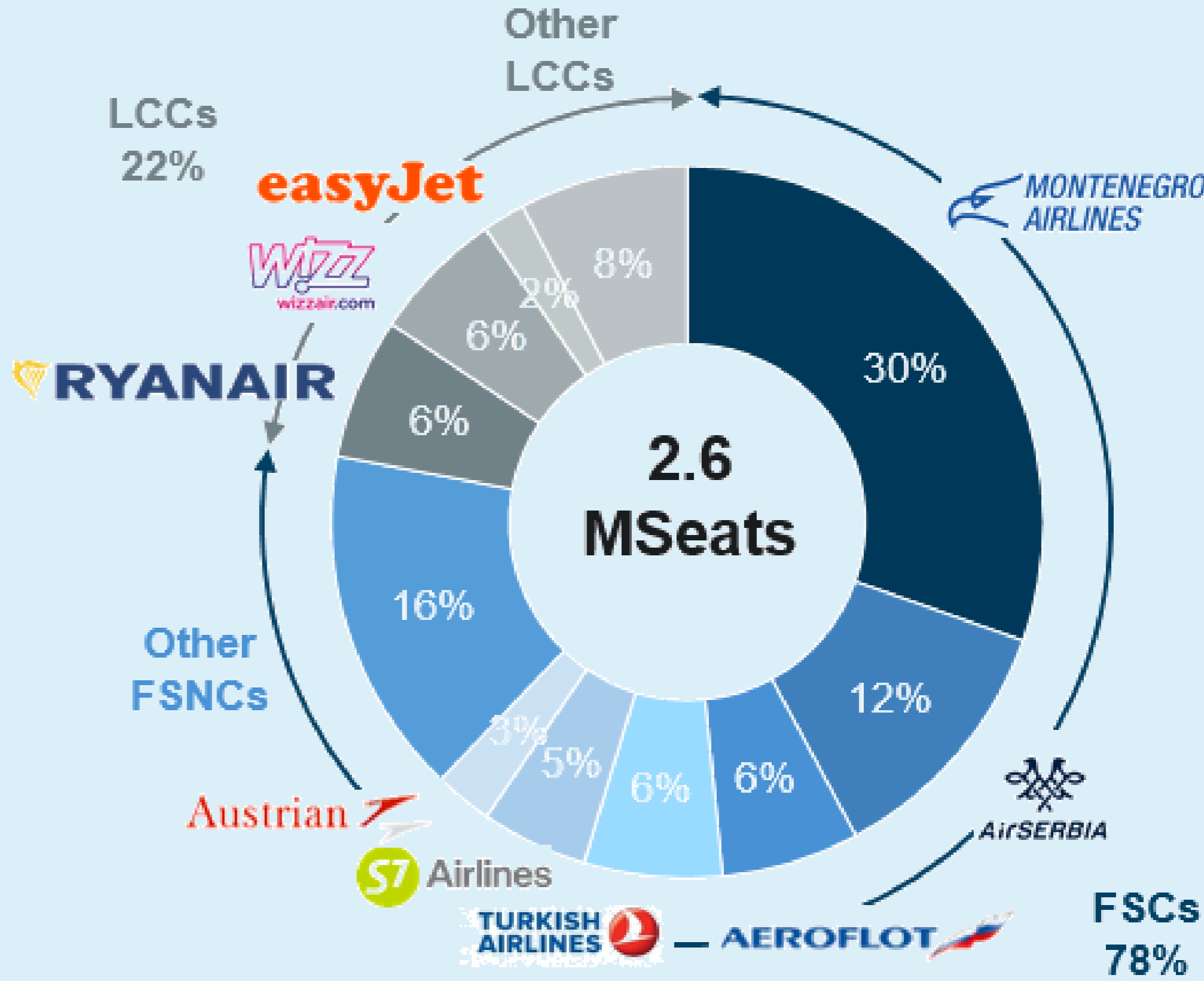
Service Providers

Total Supply by Airline (mSeats)



Source: OAG

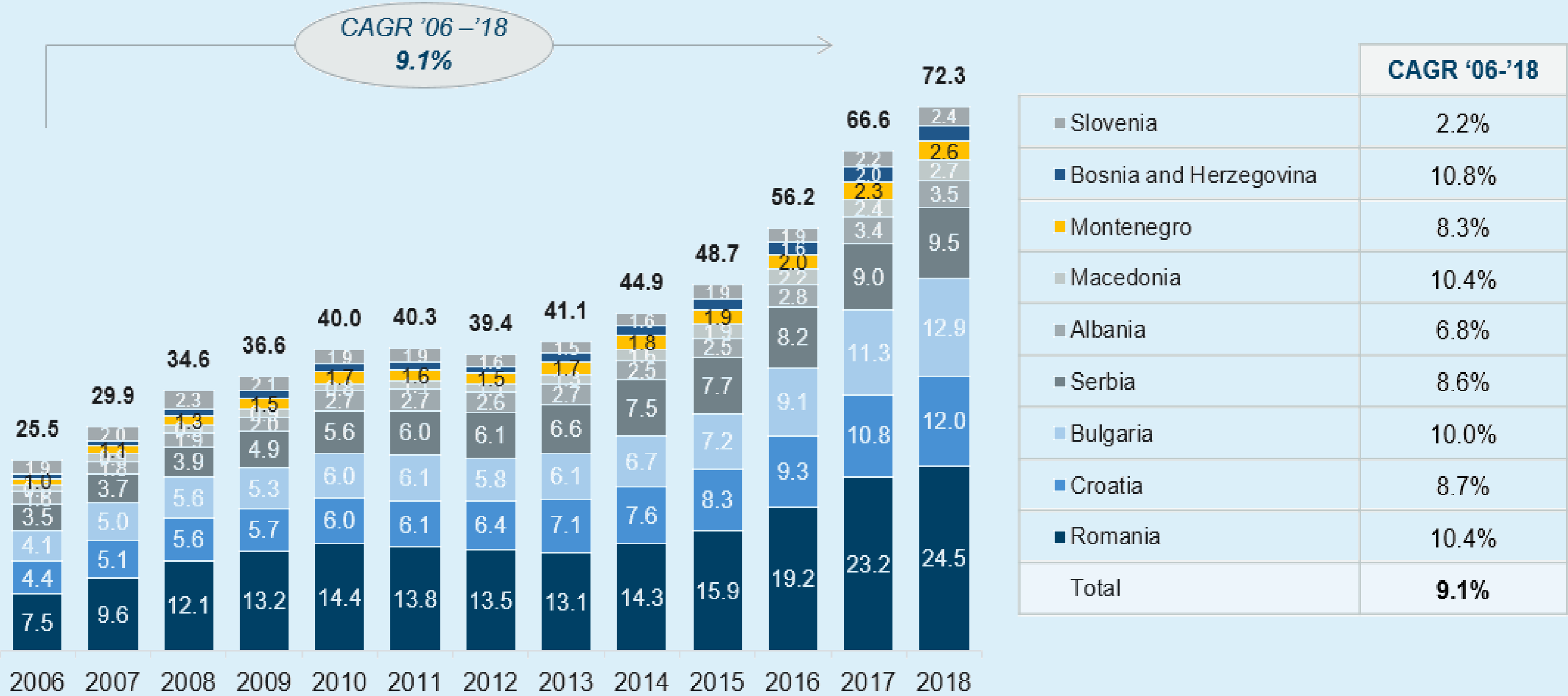
Airline Market Share - Total Supply '18



Source: OAG

Market Overview

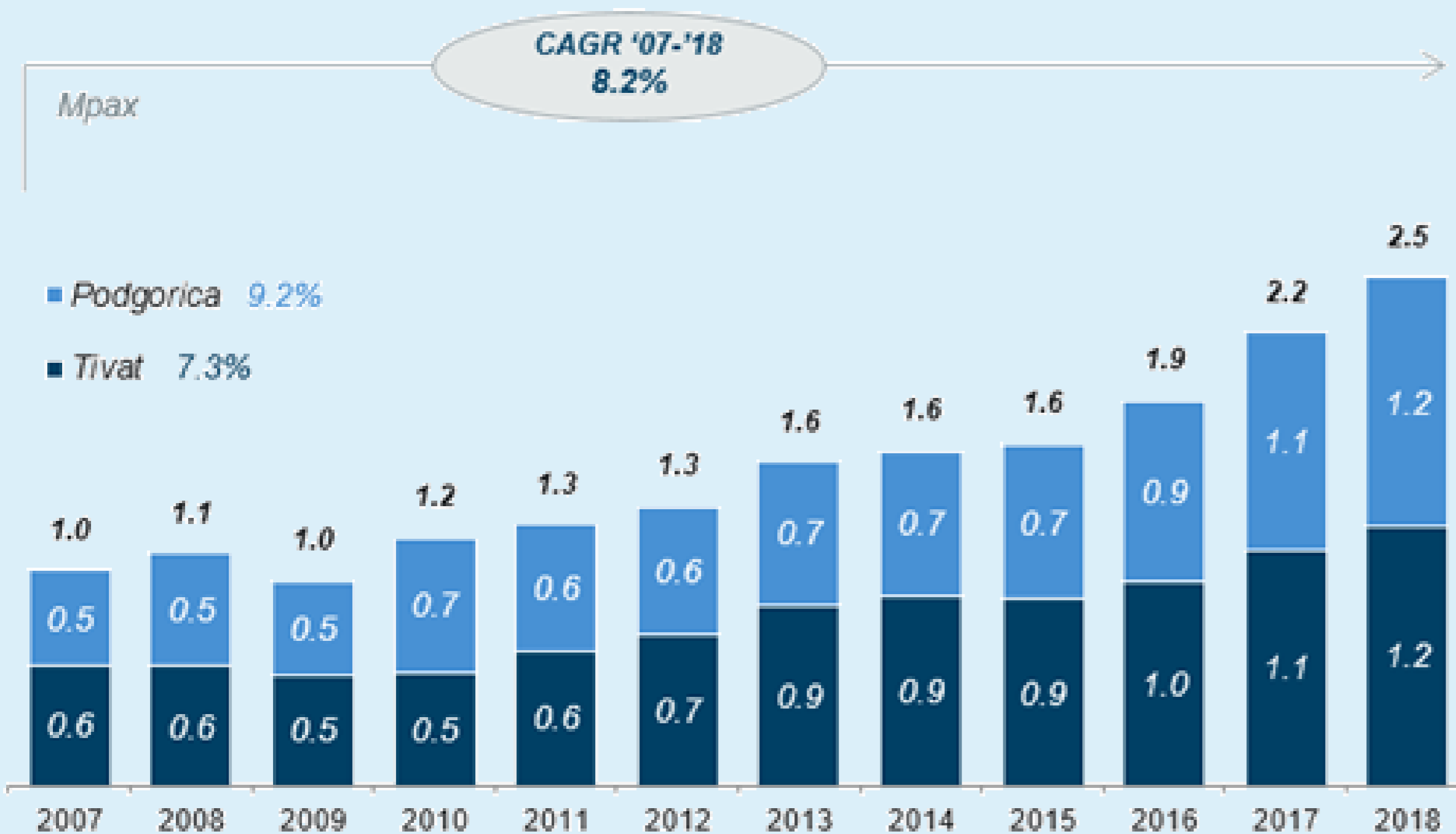
Seat Capacity Evolution in the Balkans (Mseats '06-'18)



Source: OAG

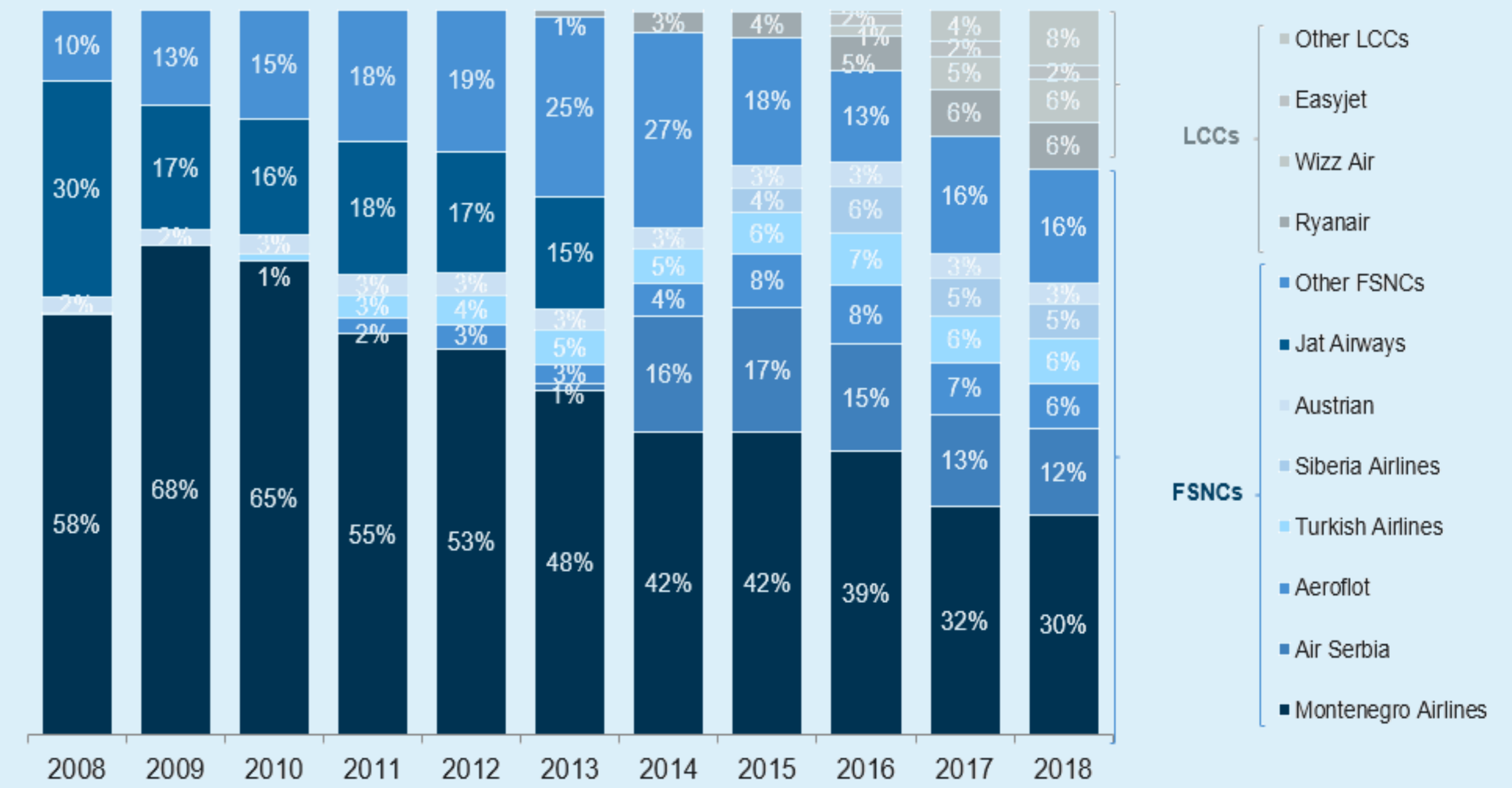
Traffic Volumes TGD & TIV

Traffic volumes at TIV and TGD over the past 12 years (MPax)



Source: OAG

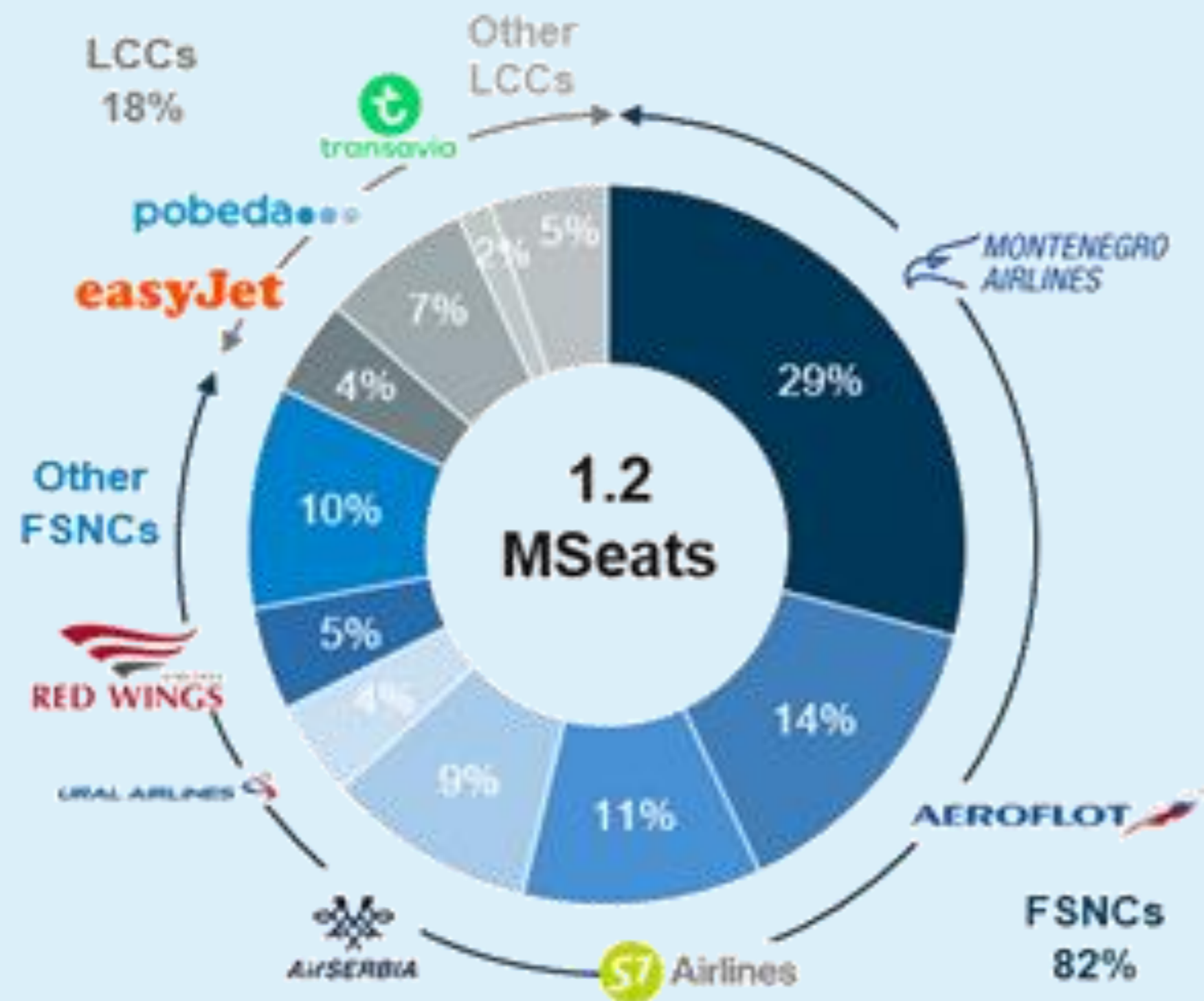
Market share evolution by Airlines (Mseats '08-'18)



Source: OAG

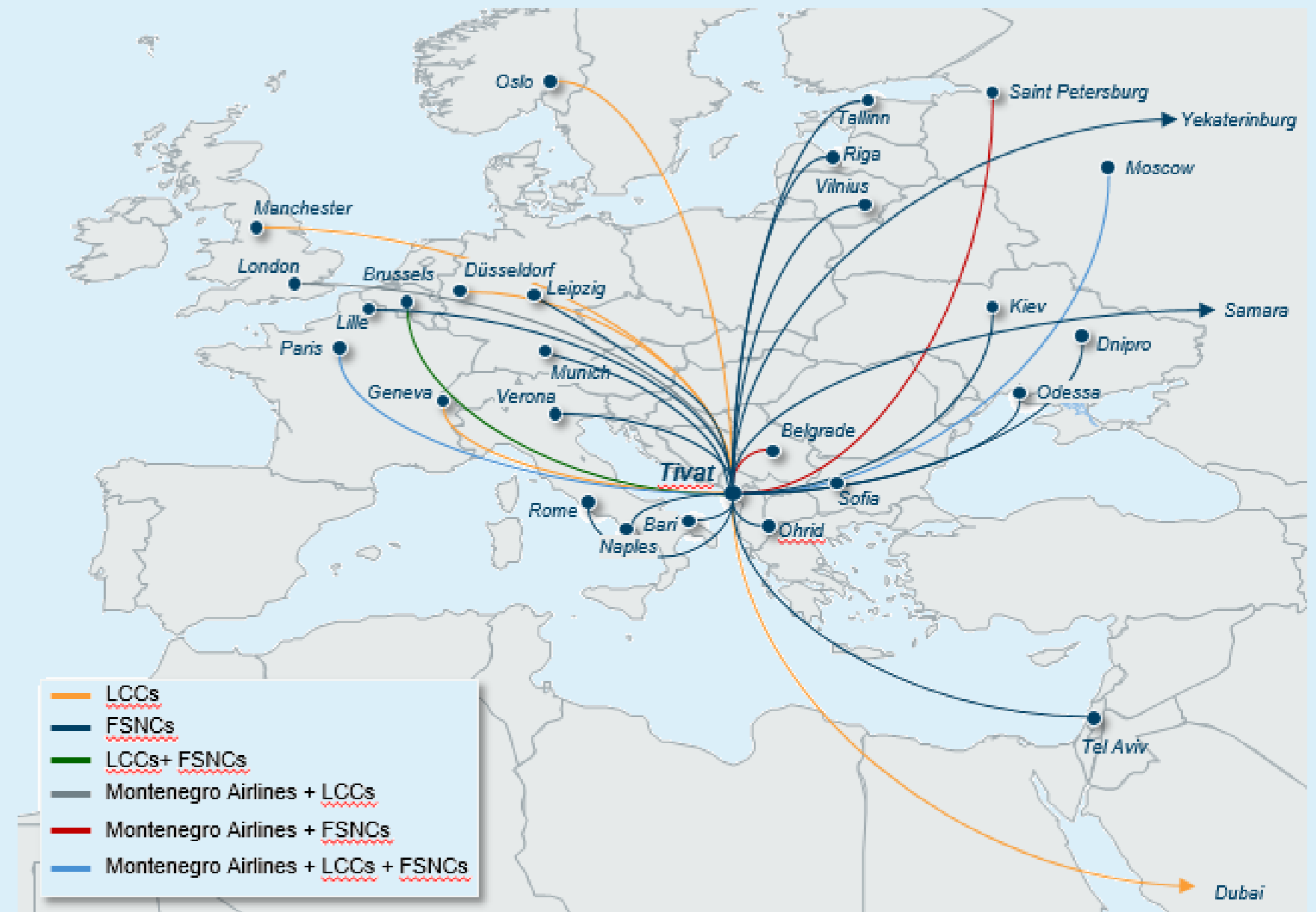
Historical Traffic Analysis - TIV

Scheduled Airline Market Share (Total supply - 2018)



Source: OAG

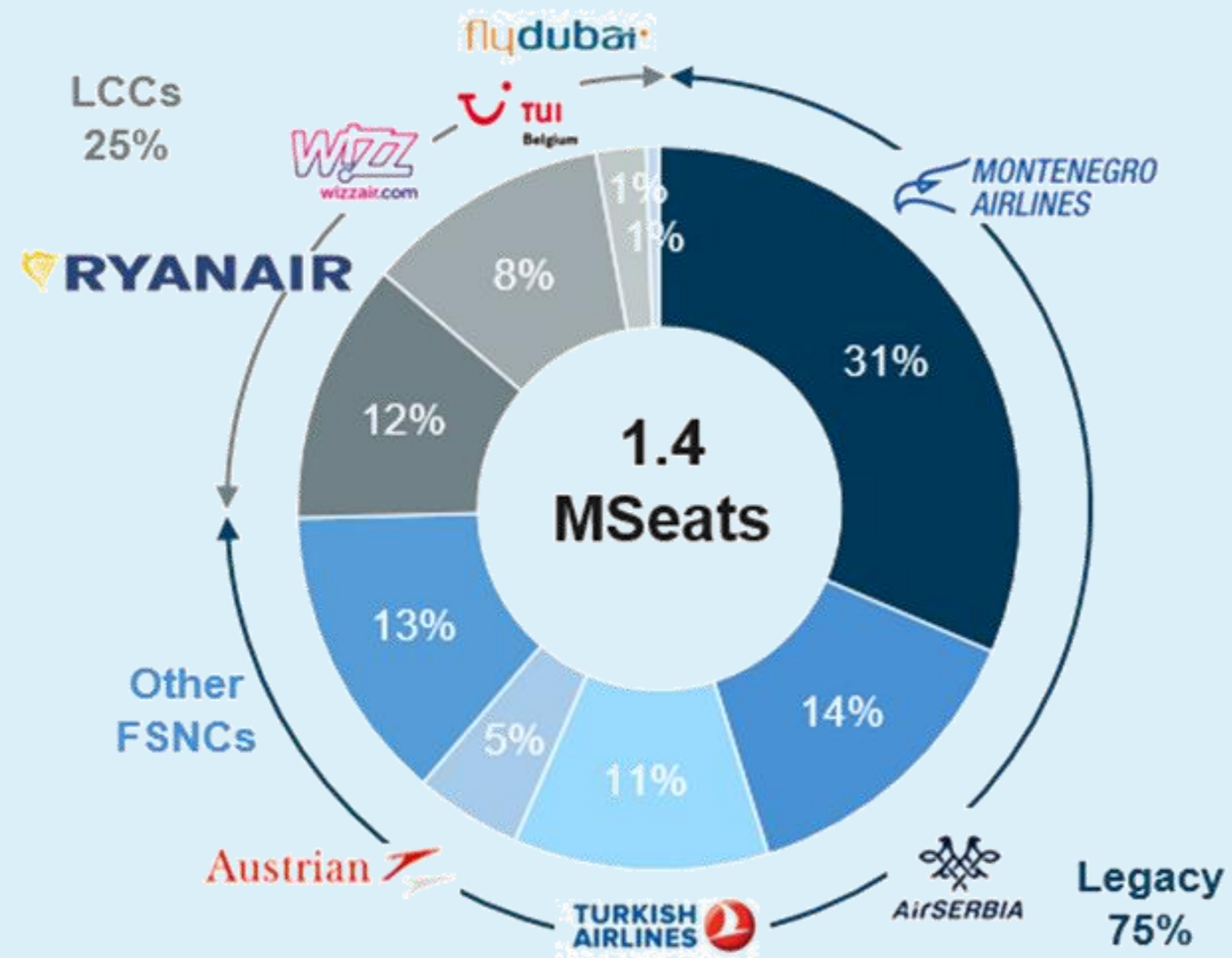
Routes served from TIV (2018)



Source: Airports of Montenegro

Historical Traffic Analysis - TGD

Scheduled Airline Market Share (Total supply - 2018)



Source: OAG

Routes served from TGD (2018)

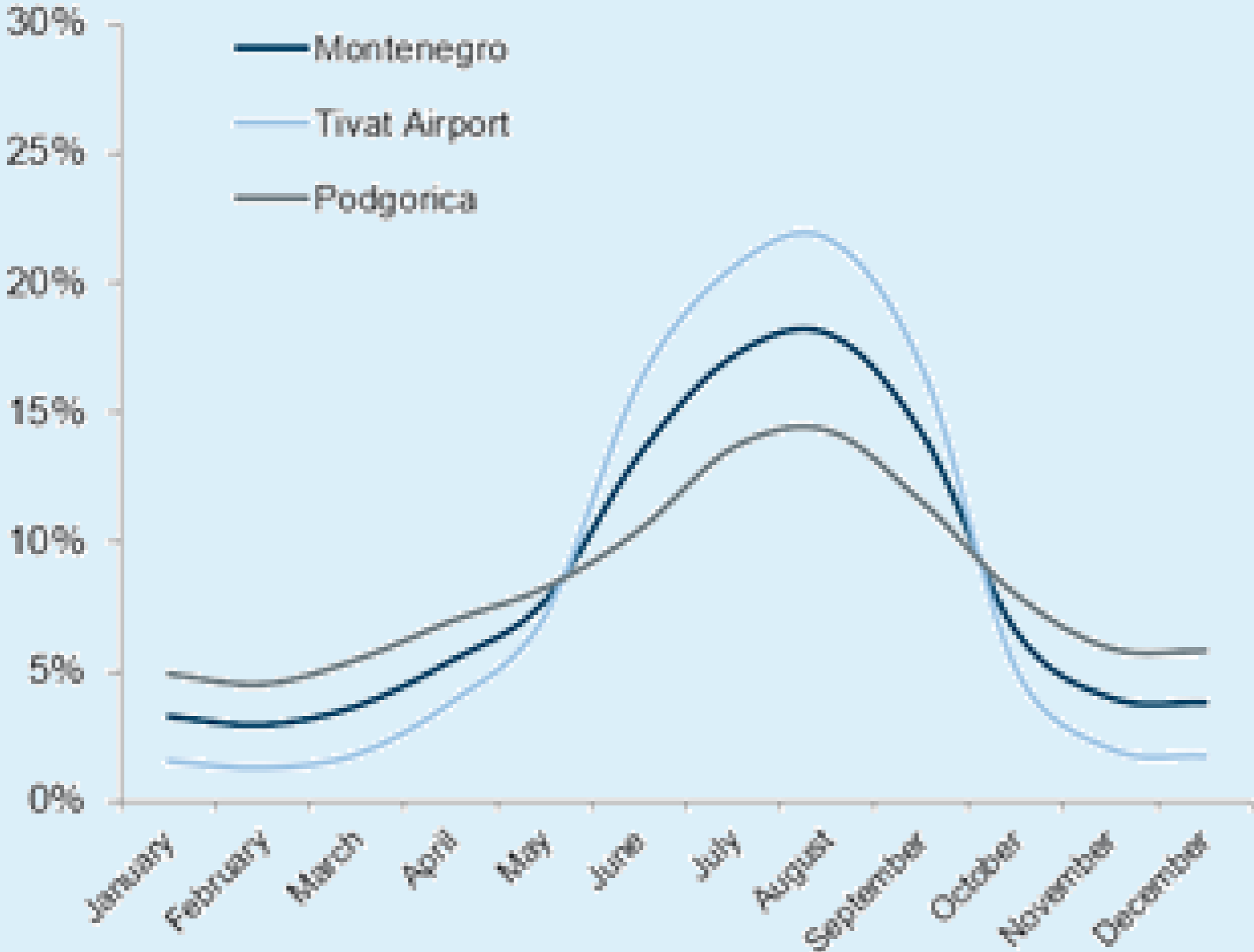


Source: Airports of Montenegro

Traffic Seasonality

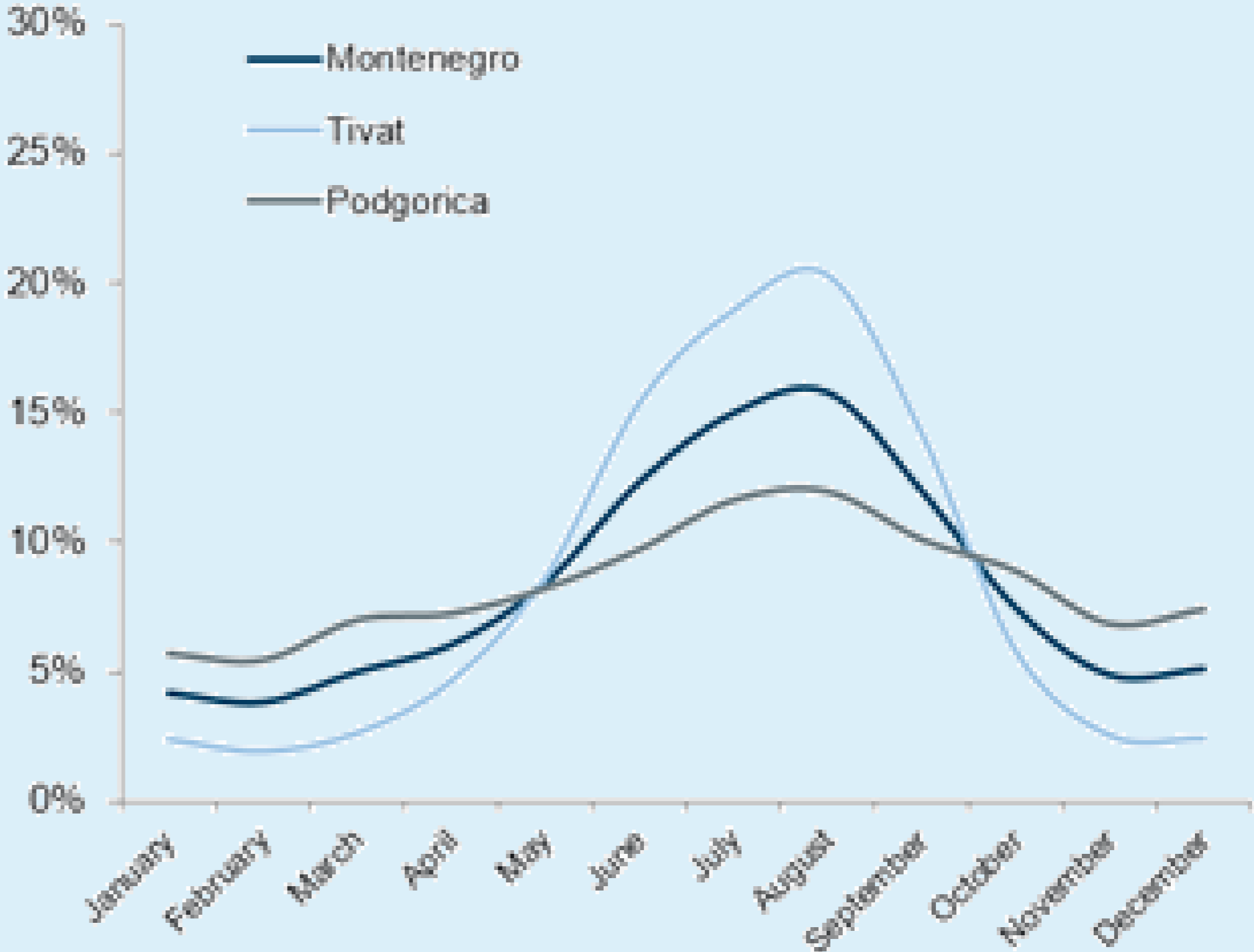
Air Traffic Seasonality in Montenegro

Passengers seasonality (% seats)



Source: OAG

ATMs seasonality (% ATMs)

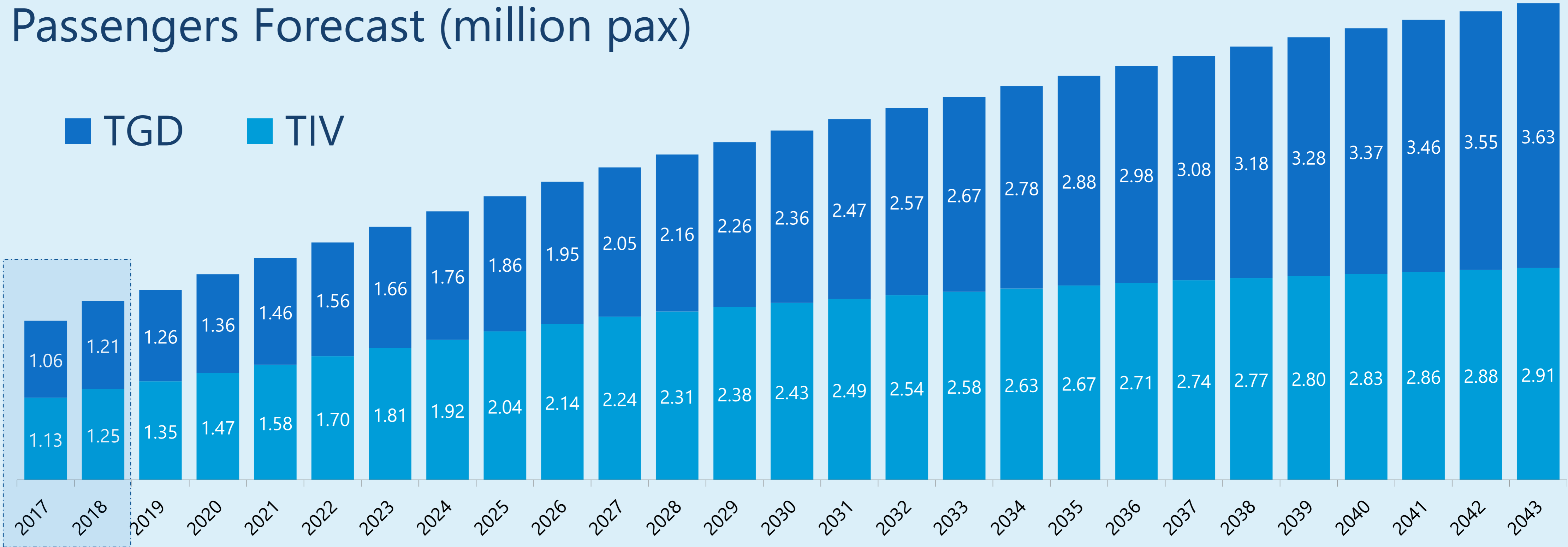


Source: OAG

Passenger traffic expected to double over next 10 years

	CAGR '07-'18	CAGR '18-'22	CAGR '18-'28	CAGR '18-'38	CAGR '18-'43	CAGR '33-'43
TIV	7.3%	8.5%	6.8%	4.5%	3.8%	1.6%
TGD	9.2%	6.6%	6.0%	5.0%	4.5%	3.1%
Total	8.2%	7.6%	6.4%	4.8%	4.2%	2.4%

Passengers Forecast (million pax)

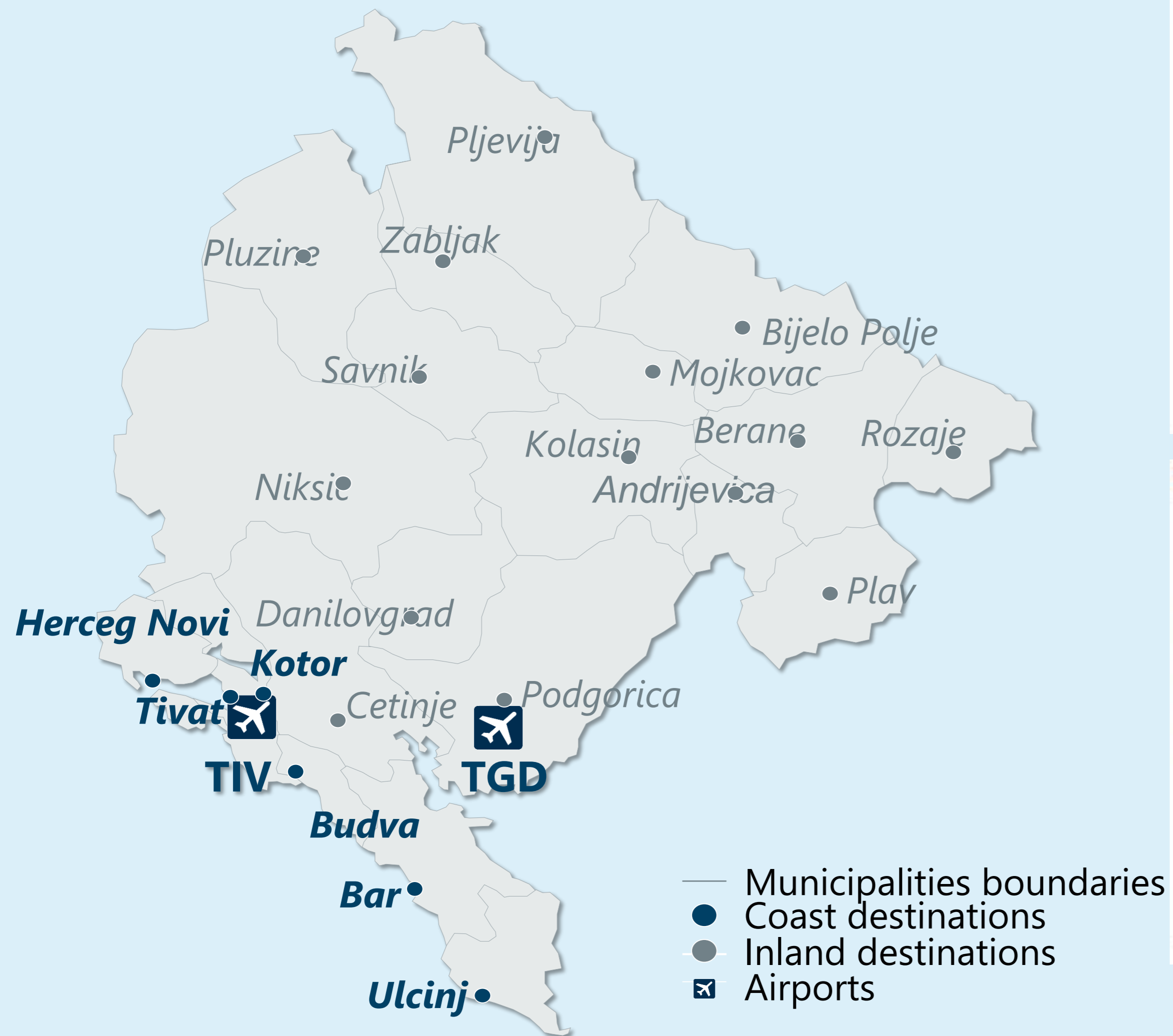


Source: ALG Analysis

Infrastructure & Assets



The Concession includes activities for TIV & TGD



PODGORICA



Terminal Area

- 5,500 sqm
- FY2018 mPax**
- 1,21
- FY2018 AC Mvmnt**
- 15,922

FY2018 Cargo

- N/A
- Intl. / Domestic Passengers**
- International: 100%
- Domestic: -

Runways

- RWY 18-36: 2,500 m x 45 m

Aircraft Parking Stands

- 6 Code C-stands plus 3 general aviation stands
- Additional stands available at hangar areas

Current declared capacity

- Approx. 1 mpax (terminal constraint)
- Operating Hours**
- H10

TIVAT



Terminal Area

- 7,050 sqm
- FY2018 mPax**
- 1,25
- FY2018 AC Mvmnt**
- 13,838

FY2018 Cargo

- N/A
- Intl. / Domestic Passengers**
- International: 100%
- Domestic: -

Runways

- RWY 14-32: 2,500 m x 45 m

Aircraft Parking Stands

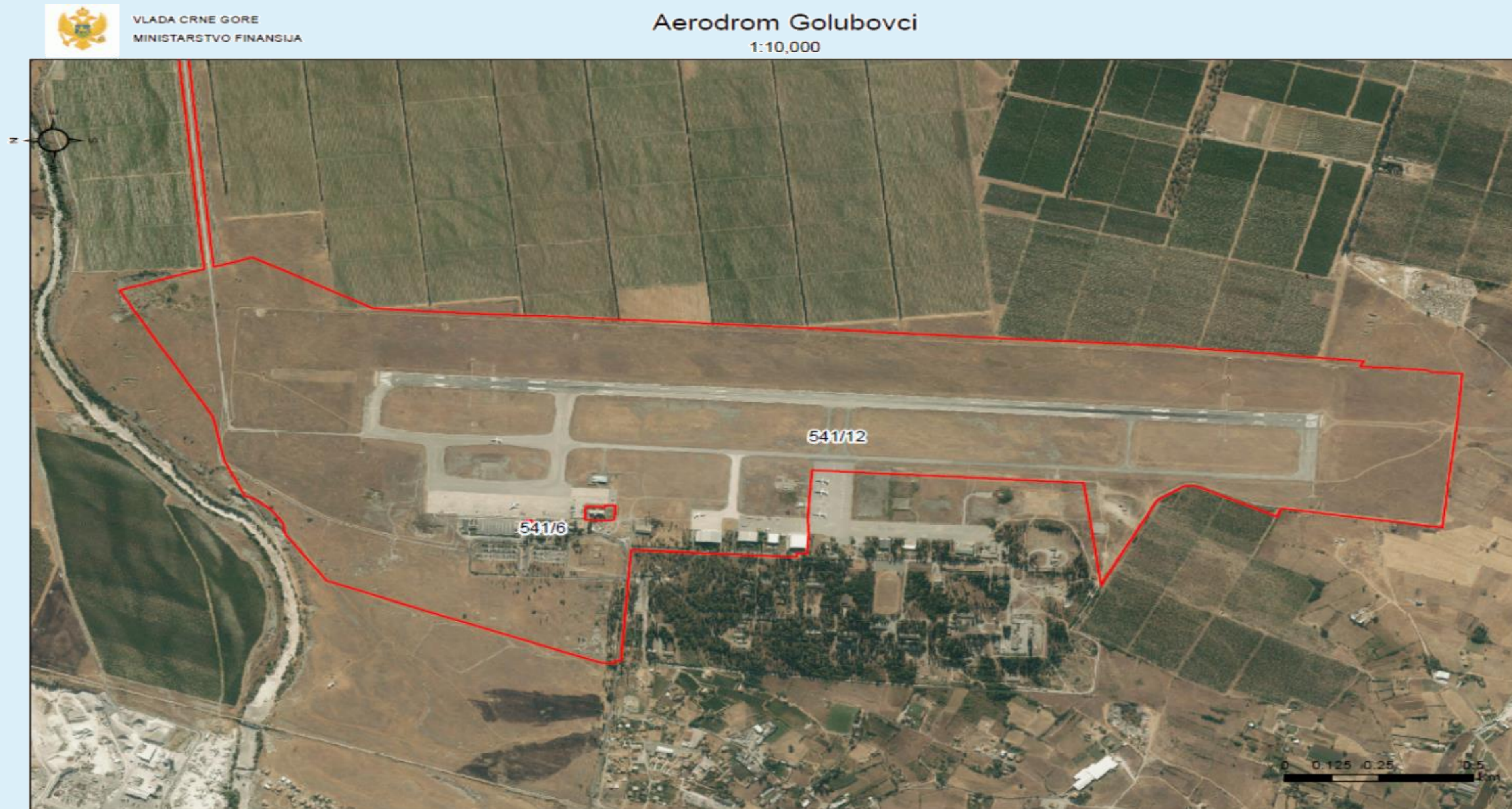
- 6 Code C-stands & 1 Code D-stand plus 6 general aviation stands

Current declared capacity

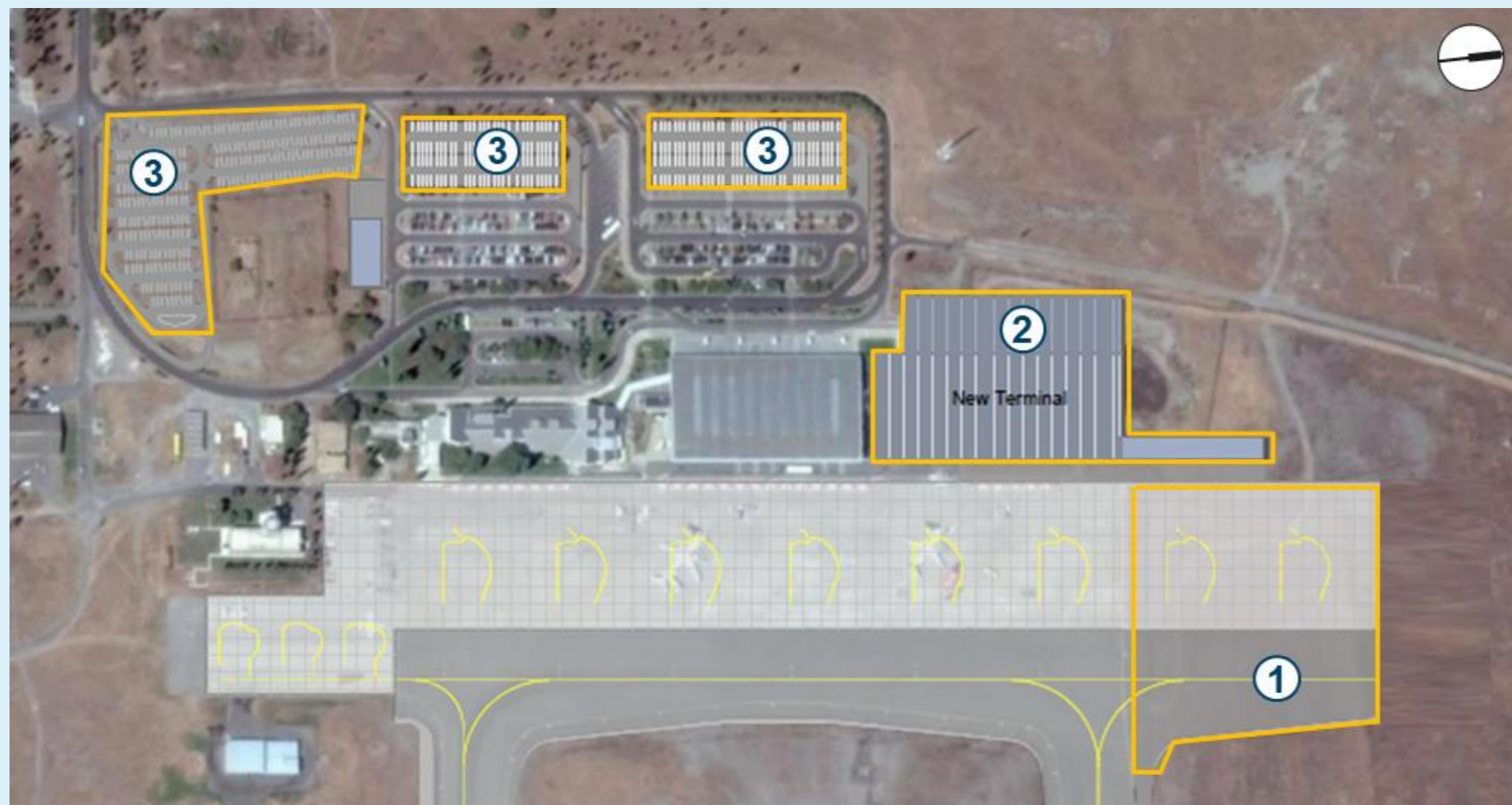
- Approx. 1 mpax (terminal constraint)
- 13-15 ATMs/h (airfield constraint)
- Operating Hours**
- H10 (H14 during summer high season)

Source: Airports of Montenegro

Site for TGD - Aerial View



Investment Program for TGD



Terminal, Apron and Access Areas Reconfiguration and Expansion – Phase 1 (illustrative)



Airfield Reconfiguration and Expansion – Phase 1 (regulation compliance – non-exhaustive)

First implementation phase – first 3 years of duration of the Concession Agreement

1. Passenger terminal extension/construction (12,500 m² of additional area) and,
 2. Expansion of existing apron (plus 2 additional stands – ICAO Code C aircraft);
 3. Expansion of car parking areas (in order to double the existing capacity).
 4. Construction of the runway shoulders (ICAO Code E);
- Obtain and maintain the airport certification – therefore assuming all the investment necessary to upgrade and maintain the infrastructure to achieve previous goal

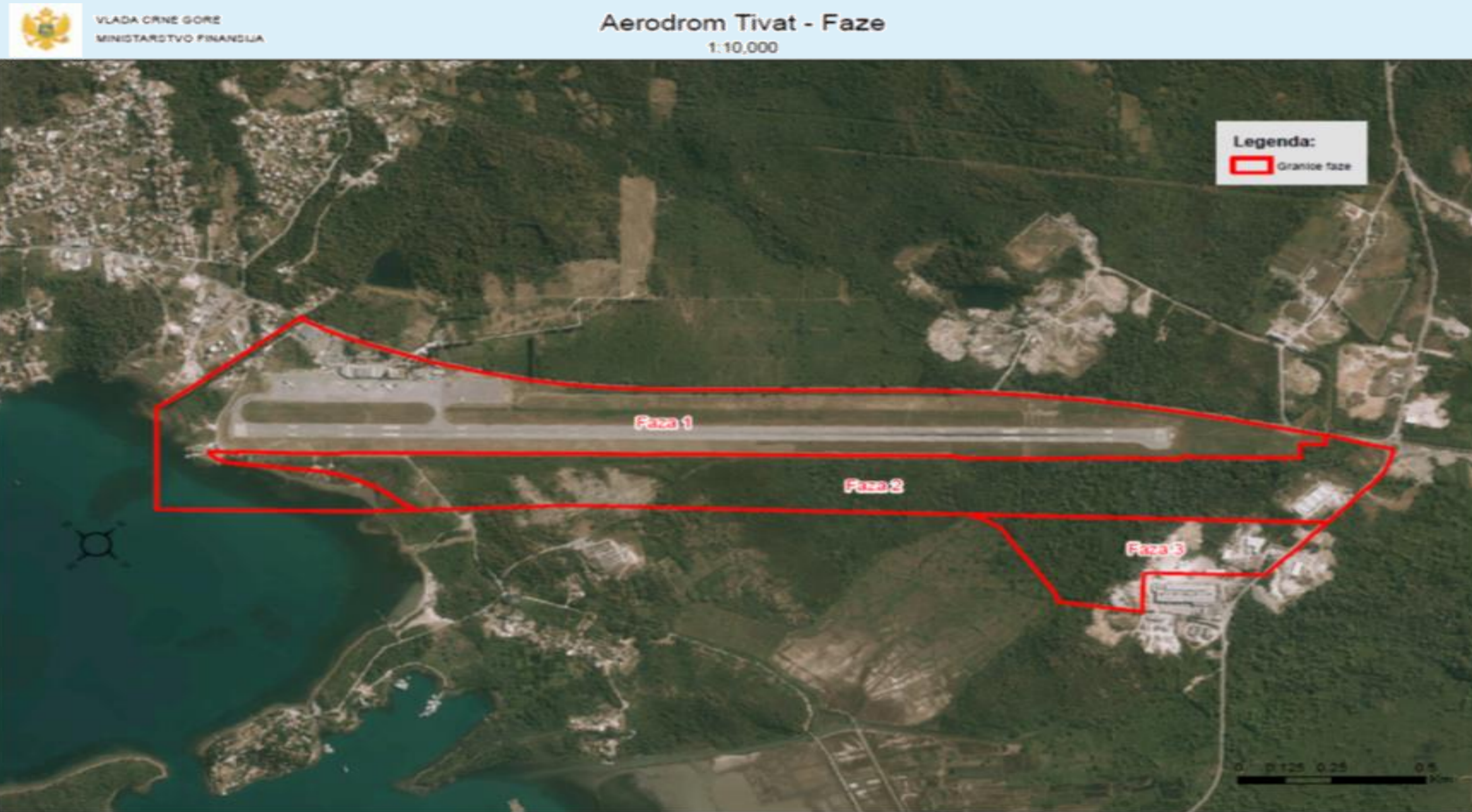
Second implementation phase – i.e. 4th and 5th year of duration of the Concession Agreement

- Additional apron expansion (total of 11 apron stands – Code C aircraft);
- General aviation apron expansion;
- Expansion and construction of taxiway shoulders (ICAO Code C)

Third and other implementation phases – i.e. from 6th to 30th year of duration of the Concession Agreement.

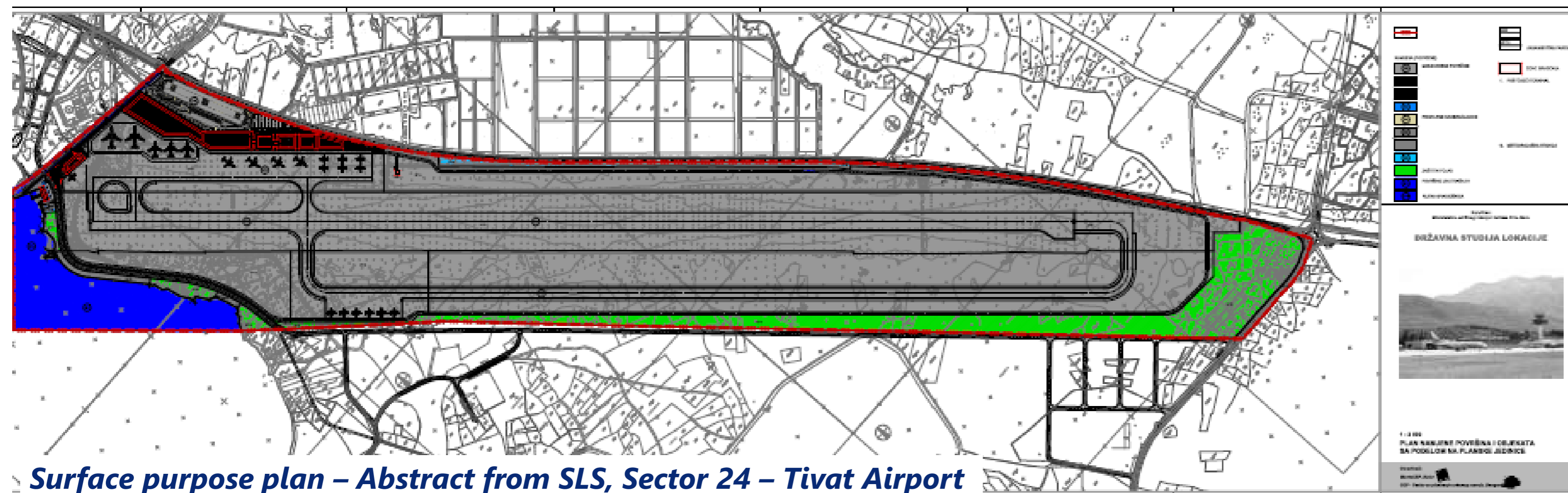
- Activities will be implemented within the scope of the adjacent LLS plan „Cijevna – planning unit 2.5“ and later through the development of the General Regulatory Plan.

Site for TIV - Aerial View



Source: Airports of Montenegro

Investment Program for TIV



First implementation phase – first 3 years of duration of the Concession Agreement

- Construction of the Tivat Sky Pier for the public passenger transport, including also access roads;
- Construction of the Marine Air Terminal (MAT) for passengers arriving to the airport by sea;
- Rehabilitation of existing runway;
- Runway extension (plus relocation of threshold 14 and Runway End 32);
- 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.
- Obtain and maintain the airport certification – therefore assuming all the investment necessary to upgrade and maintain the infrastructure to achieve previous goal

Second implementation phase – i.e. 4th and 5th year of duration of the Concession Agreement

- Construction of a new taxiway ;
- Expansion of the existing apron.

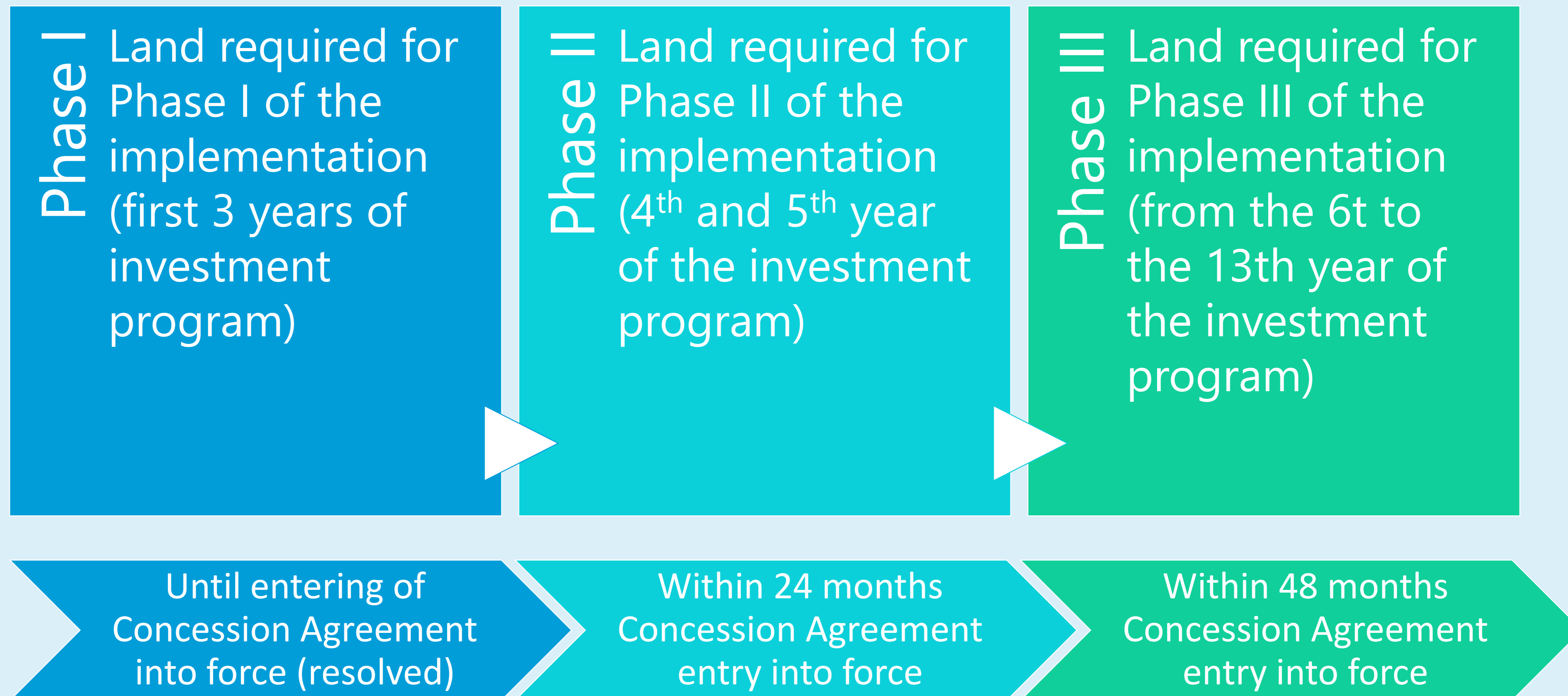
Third and other implementation phases – i.e. from 6th to 30th year of duration of the Concession Agreement.

- Activities will be implemented through within the scope of the adjacent LLS plan “Sector 25 – Kalardovo – Ostrvocvijeća – Brdišta” and later on through the General Regulatory Plan.

Environmental & Social



Land Transfer TIV



The GoM shall comply with applicable Laws and international E&S performance standards.

Land Transfer TIV (Phases)

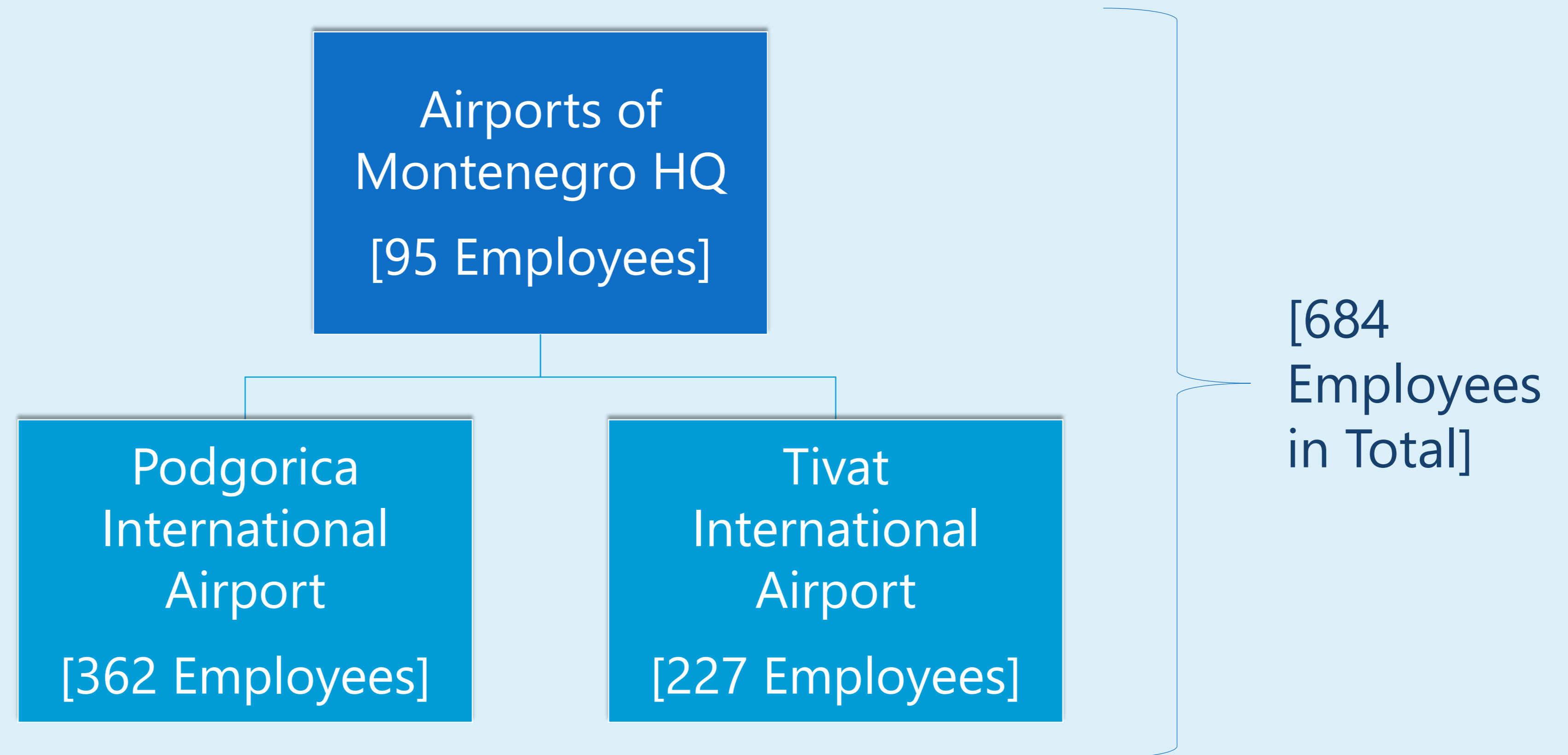


VLADA CRNE GORE
MINISTARSTVO FINANSIJA

Aerodrom Tivat - Faze
1:10,000



Existing Employees



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

Environmental and Social Impact Assessment

Scope of E&S Assessment to be Performed

- Environmental contamination (Tivat and Podgorica Airports only)
- Noise impacts due to air and road traffic during construction and operation
- Wastewater effluents discharges
- Air emissions due to air and ground traffic increase
- Biodiversity impacts due to increased air traffic, effluent discharges and airports area expansion
- Community health and safety impacts associated with construction stage
- Natural hazards as applicable
- Cultural heritage
- Land Acquisition and Involuntary Resettlement impacts in case of concession site extension
- Environmental and Social Management Plan (ESMP) addressing identified impacts and risks.

In compliance with:

- IFC Performance Standards on Social and Environmental Sustainability (2012)
- World Bank Group (WBG) Environmental, Health, and Safety (EHS) General Guidelines
- WBG EHS Guidelines for Airports
- The ICAO Guidance on the Balanced Approach to Aircraft Noise Management
- Relevant EU Directives
- Good International Industry Practice
- ILO Conventions

Other E&S Related Activities to be Performed

In compliance with:

E&S Management System, including procedures and E&S expertise

Safety Management System in accordance with ICAO

Life Fire Safety for buildings accessible to the public

Investment in technical upgrades to address identified E&S risk management issues, such as improving management of waste and wastewater

IFC Performance Standards on Social and Environmental Sustainability (2012)

World Bank Group (WBG) Environmental, Health, and Safety (EHS) General Guidelines

WBG EHS Guidelines for Airports

The ICAO Guidance on the Balanced Approach to Aircraft Noise Management

Relevant EU Directives

Good International Industry Practice

ILO Conventions

Financial Analysis



Financial Performance of Airports of Montenegro

FY 2018, 2017, 2016 & 2015

<i>in EUR 000</i>	2018	2017	2016	2015
Passengers	2,454,524	2,185,857	1,852,710	1,644,949
TGD	1,208,525	1,055,141	873,278	749,899
TIV	1,245,999	1,130,716	979,432	895,050
Revenues	37,178	34,006	29,551	25,576
Aeronautical	32,711	29,631	25,610	21,933
TGD	15,247	13,811	11,724	9,486
TIV	17,466	15,821	13,886	8,410
Non-Aeronautical	4,467	4,375	3,941	3,642
TGD	2,294	2,247	1,989	1,784
TIV	2,172	2,127	1,951	1,858
Costs	23,877	19,791	17,821	17,382
Staff	17,243	13,903	12,672	11,932
TGD	10,689	7,473	6,848	6,377
TIV	6,554	6,429	5,824	5,555
Non-staff	6,634	5,888	5,149	5,450
TGD	3,755	3,333	2,804	2,730
TIV	2,878	2,554	2,345	2,720
EBITDA	13,301	14,215	11,730	8,194
EBITDA Margin	35.78%	41.80%	39.70%	32.00%

- In 2018, aeronautical revenues contribute 87% to total revenues.
- Aeronautical revenues have increased 10%.
- Amplified activity of LCCs in 2018 has spurred revenue.
- Non-aeronautical revenues increased 2% increase in 2018.
- Employee-related costs and expenses amounted to 72% of OpEx.
- Non-staff expenses increased by almost 13%.
- EBITDA margins of approximately 35-40% in the last three fiscal years.

Financial Performance of Airports of Montenegro

Aeronautical Revenue Build-up by Airport

Aeronautical revenues m EUR	TGD		TIV	
	Revenues	% of total aeronautical revenues	Revenues	% of total aero revenues
Flat-rates	1.88	13.6%	0	0.0%
Passenger Service Charges (PSC)	6.26	45.4%	8.31	52.5%
Security	0.73	5.3%	0.97	6.1%
Passenger with Reduced Mobility (PRM)	0.1	0.7%	0.14	0.9%
Landing	2.51	18.2%	2.95	18.6%
Lighting	0.15	1.1%	0	0.0%
Parking	0.02	0.1%	0.07	0.4%
Centralized infrastructure	0.85	6.2%	1.07	6.8%
Handling	1.23	8.9%	2.29	14.5%
Others	0.07	0.5%	0.02	0.1%
Total aeronautical revenues	13.8		15.82	

- Special terms and conditions with each airline.
- Aeronautical revenues growth at 10.4% and 15.7% in 2018 and 2017 respectively.
- Total aeronautical charge per departing passenger at Montenegro Airports is EUR 21.4.

Financial Performance of Airports of Montenegro

Non-Aeronautical Revenue Build-up by Airport

Non-Aeronautical revenues t EUR	TGD					TIV				
	2016	2017	€/pax 2016	€/pax 2017	% mix 2017	2016	2017	€/pax 2016	€/pax 2017	% mix 2017
Retail	828.6	1,029.1	0.95	0.98	46%	1,297.3	1,524.0	1.32	1.35	72%
Car Parking	201.9	243.0	0.23	0.23	11%	0.0	0.0	0.00	0.00	0%
Lounges	68.0	83.0	0.08	0.08	4%	0.0	0.0	0.00	0.00	0%
Real Estate	474.0	501.1	0.54	0.47	22%	403.7	408.9	0.41	0.36	19%
Taxis	48.2	73.5	0.06	0.07	3%	85.9	108.0	0.09	0.10	5%
Manipulation of Goods	136.9	150.4	0.16	0.14	7%	3.1	5.1	0.00	0.00	0%
Other Commercial Revenues	146.3	87.0	0.17	0.08	4%	76.5	36.0	0.08	0.03	2%
Other Commercial Services	33.8	36.3	0.01	0.01	1%	13.8	10.3	0.01	0.01	0%
Other Commercial Refunds	51.2	43.9	0.06	0.04	2%	70.8	33.7	0.07	0.03	2%
Total Non-Aeronautical Revenues	1,988.8	2,247.4	2.28	2.13	100%	1,951.1	2,125.9	1.99	1.88	100%

- Duty free and retail concessions accounted for 46% and 72% of the total non-aeronautical revenues at TGD & TIV, respectively
- Non-aeronautical revenues are relatively low
 - 14% in TGD
 - 12% in TIV
- Constrained terminal space at both airports
- Undeveloped commercial activities
- Undeveloped real estate space, especially in TIV
- No parking revenues (as this is currently operated by the municipality)

Financial Performance of Airports of Montenegro

OpEX Build-up by Airport

Operating Expenses t EUR	TGD			TIV		
	2016	2017	% mix 2017	2016	2017	% mix 2017
Material Costs	531.3	663.2	6%	360	327	4%
Staff Costs (Permanent)	6,750.4	7,026.4	65%	4,936	5,237	58%
Staff Costs (Temporary)	0.0	316.1	3%	816	1,078	12%
Staff Costs (Other)	98.2	130.8	1%	72	114	1%
Transport Costs	83.1	71.6	1%	39	46	1%
Maintenance	82.5	143.8	1%	169	136	2%
Land Lease	0.0	0.0	0%	42	42	0%
Marketing	352.4	542.1	5%	355	476	5%
Utilities	218.4	249.4	2%	216	248	3%
Transaction Fees	20.0	25.9	0%	20	24	0%
Taxes and Municipal Fees	54.4	53.2	0%	53	52	1%
Membership Fees	31.2	33.4	0%	30	32	0%
Insurance Costs	54.2	84.4	1%	39	58	1%
Depreciation & Amortization	1,313.6	1,335.6	12%	955	972	11%
Donations and other related costs	62.7	130.9	1%	67	135	2%
Total Operating Expenses	9,652.5	10,806.7	100%	8,168.3	8,983.6	100%

- OpEx increased 11% and 10% at TGD and TIV in 2017, respectively
- Employee and other staff related expenses represent 69% of OpEx at TGD, and 72% at TIV
- Temporary staff at TIV contribute 12% to total staff costs
- Temporary staff are employed to cover a shortage in regular staff during the summer schedule

Legal Framework



Applicable Principal Legal Concession Framework

Law on Concessions („Official Paper of Montenegro“, No. 8/2009 from 4 February 2009)

Decree on Closer Manner of Conducting Public Tender in Open and Two-Tier Procedure for Concession Granting (“Official Gazette of Montenegro“, Nos. 67/2009)

Applicable Principal Legal Aviation Framework

ECAA Agreement, signed by Montenegro on 12 October 2007. By signing the ECAA Agreement, Montenegro has committed itself to the implementation of the European Community *aviation acquis*.

Air Traffic Law („Official Paper of Montenegro“, No. 30/2012 and 30/2017).

Institutional Framework

The Government of
Montenegro

The Civil Aviation
Agency ("CAA")

Ministry of Transport
and Maritime Affairs



Transaction Structure



Key Terms of the Concession Agreement

Concession Grantor

Government of Montenegro

Change of Control

Changes of ownership and/or control of the project SPV will be prohibited during a defined lock-in period covering construction plus a portion of the operating period

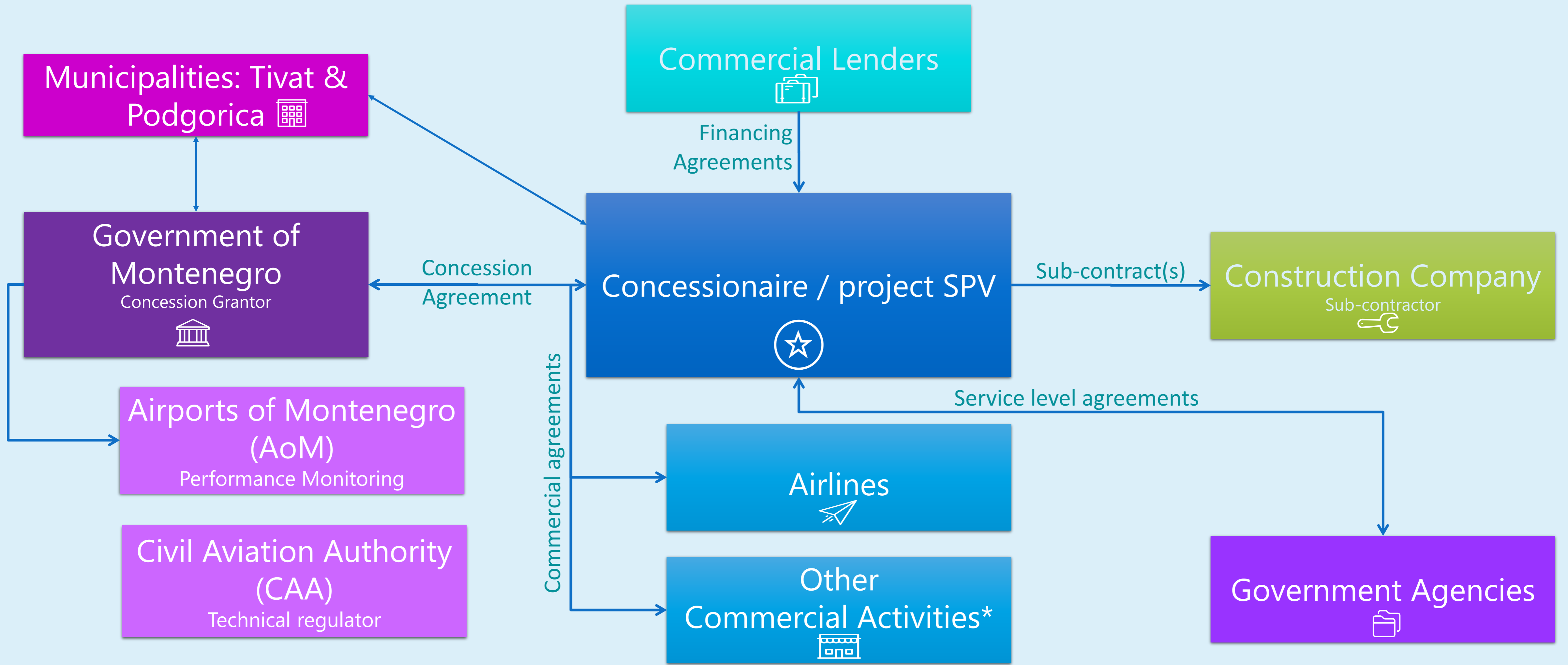
Concessionaire

The winning bidder, which shall incorporate the project SPV which will accede to the concession agreement

Concession Duration

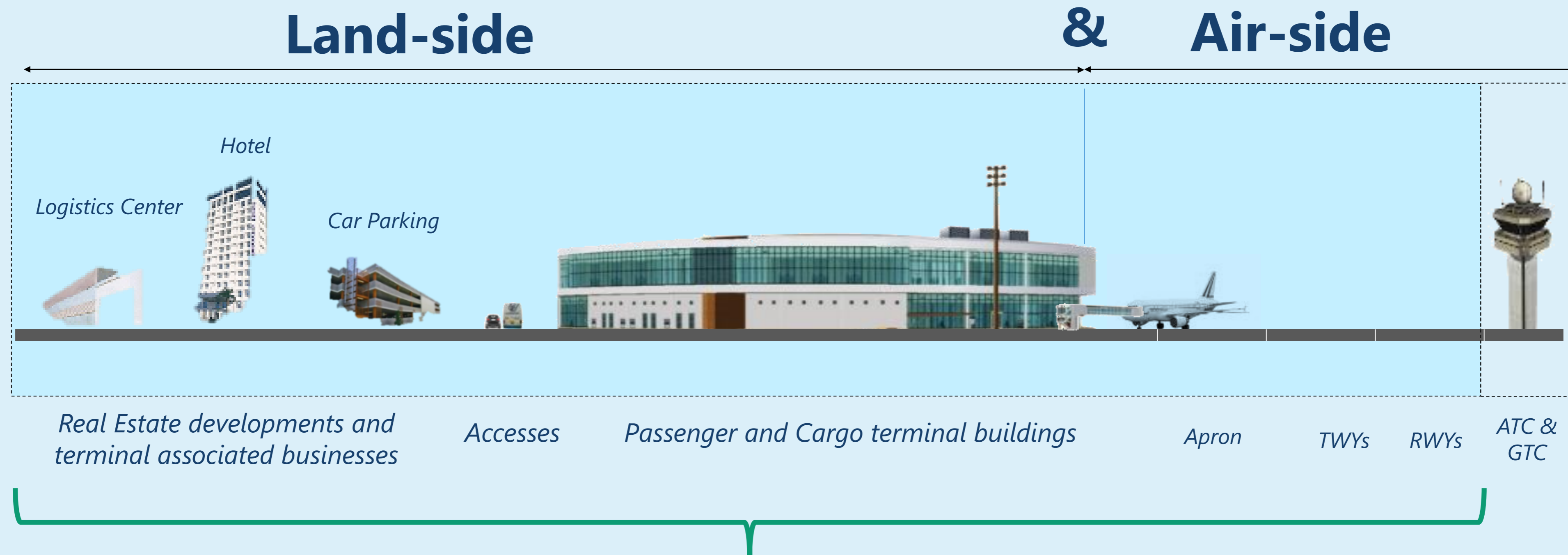
30 years (maximum allowed by law under the current procedure)

Contractual Structure



*(catering, f&b, duty-free, parking, etc.)

Scope of the Concession

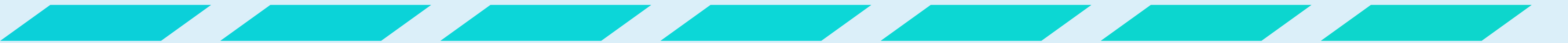


**Perimeter of the Concession for each airport
(no ATC)**

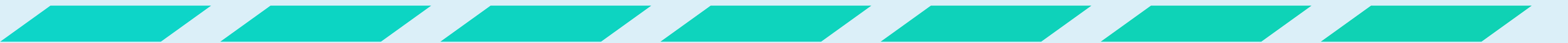
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Sites, Ground Condition, Property

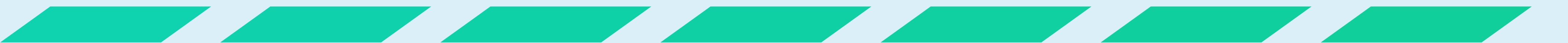
The project SPV will bear ground condition risk at the Sites and will be responsible for surveying and inspecting the Sites and satisfying itself of their condition prior to commercial close.



The project SPV will bear the risk of pollution and contamination other than pre-existing environmental conditions (i.e. existing before the commencement date) at the Sites, including any contamination caused or contributed to by the project SPV or its employees or subcontractors.



All immovable property (existing and new) will remain the property of the GoM at all times. Movable property will be the property of the project SPV, and shall be transferred to the GoM at the end of the Concession



Property, Planning & Permitting

The GoM will...

- grant right of use of the Sites to the project SPV on the basis of the concession agreement of the same term as the Concession
- be responsible for the land acquisition and related expropriation for the Sites to be provided to the project SPV at commercial close free of encumbrances
- be responsible for obtaining the required planning permission and land use permission

The project SPV will...

- be required to comply with all environmental laws, the Performance Standards established in the concession agreement and with Equator Principles
- be responsible for obtaining all consents and permits that are necessary for the carrying out of its obligations under the concession agreement.
- The GoM shall also act in good faith to assist the project SPV in obtaining all required permissions

Project SPV's Obligations & Performance

Project SPV will have the obligation to:

- **Build and finance the refurbishment and expansion of the airside and landside infrastructure at the Airports:**
 - To be compliant with Montenegro and ICAO standards, and
 - To expand capacity from time to time based on traffic and service level triggers
- **Undertake the operation and management of all services at the Airports in accordance with key performance indicators stipulated in the concession agreement, such as:**
 - Apron time
 - Runway delay not attributable to SMATSA
 - Passenger check-in/baggage reclaim time
 - Maintenance standards
 - Processing times
 - IATA level of service Optimum

Project SPV to provide performance security against the performance of its obligations under the concession agreement to deliver the works and services

Project SPV's Revenues

The project SPV shall have the right to collect all aeronautical and commercial revenues generated by the Airports operations on the Sites

Aeronautical Revenues

- Set in EUR
- Maximum aeronautical fees and charges will be defined in the concession agreement using an indexation methodology based on indices to be defined in the concession agreement
- Changes in fees and charges subject to the MoT approval according to a pre-defined procedure
- Methodology compliant with relevant EU Directives to be applied when necessary
- Implementation of a best-practice regulatory implementation period of ~7 years, in order to avoid regulatory capture or other inefficiencies which cannot be foreseen over a longer time horizon

Commercial Revenues

- The project SPV is free to develop commercial activities at the airports to maximize commercial revenue generation
- The project SPV will be assigned the existing contracts which have not been terminated prior to the commencement of the concession

Concession Fees

Upfront Concession Fee at Financial Close – at least EUR100M – *bid back item*

An Annual Concession Fee – at least 10% of gross revenues – *bid back item*

Annual concession fee proportion can vary over time, as long as it remains 10% or more

Gross revenues are defined as, for any concession year, the sum of, in EUR, in accordance with IFRS

- a. the aggregate gross revenues received by the project SPV deriving from Aeronautical Revenues;
- b. the aggregate gross revenues received by the project SPV deriving from Non-Aeronautical Revenues;
- c. amounts received or receivable from sales and services which the project SPV would or should credit or attribute to the Airport Business;
- d. any Insurance Proceeds received by the project SPV, only to the extent that such proceeds are in respect of lost gross revenues set out under Paragraphs (a) or (b) above (including under business interruption insurance policies) and shall exclude any reimbursement of utility charges and any other Insurance Proceeds (including under property damage insurance policies); and
- e. any and all other revenue of the project SPV generated by the Airport Business 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 assessed to third parties for late payment of Aeronautical Revenues and Non-Aeronautical Revenues

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Relief, Compensation & Force Majeure Events

Events that are:

- Outside the project SPV's control
- Which have an adverse effect on the project SPV i.e.:
 - Result in cost increase
 - Result in a revenue loss
 - Result in a delay which will put the project SPV in breach of contract; or
 - Otherwise put the project SPV in breach of contract; and
 - From which the project SPV should be entitled to some level of contractual relief

Broadly, such events may include:

- Natural disasters
- Certain breaches of contract by the GoM
- Certain Material Adverse Government Action
- Certain GoM-initiated modifications
- Changes in certain types of laws
- Certain legal proceedings or court actions

The project SPV may be able to receive relief from its obligations and/or compensation (net of insurance proceeds) if certain adverse events occur. It may lead to early termination if the events are prolonged and cannot be remedied.

Termination: End of Term

Early
Termination

- The parties may be able to terminate the concession agreement should certain termination events occur
- The project SPV may be entitled to compensation after termination, subject to a range of specific principles used to calculate this value

Scheduled
end of term
arrangements

- The project SPV will be required to ensure the project assets meet the GoM's hand-back conditions at contract expiry

Other Parameters

Government Users

- The project SPV shall allocate space and utilities for certain Government Agencies to perform their services (custom, immigration...)
- To the extent possible these government entities shall enter into service level agreements with the project SPV

Employees of Airports of Montenegro

- Permanent employees shall be offered employment by the project SPV on at least the same terms as their existing contracts

Insurance

- Project SPV responsible for obtaining and maintaining insurances required by law and the insurance requirements specified in the concession agreement (to include insurable risks to the extent available and feasible)

Governing law, jurisdiction, arbitration

- Law of Montenegro
- Dispute resolution under international arbitration, under ICC rules and procedures, neutral place of arbitration

Direct Agreement

- may be entered into by the GoM with the project SPV's lenders

Tender Procedure



Tender Procedure

- Legal framework: law of Montenegro on Concessions
 - Prescribes approval process, the various stages of the procurement, the roles of various parties and the eligible types of interactive procedures
- Tender process to follow EU's best practices in terms of procurement and tenders, to the extent it is compatible with the law of Montenegro
- Open competitive tender procedure
- Interactive tender with on-going discussions with interested parties and short-listed bidders throughout the 2-stage procedure
- 2-stage selection process
 - Pre-qualification stage, open to all interested parties
 - Proposal stage, open to pre-qualified bidders only;
- Tender to follow the **highest standards of probity and transparency**

Indicative Evaluation Criteria

Selection criteria to be used to assess Bidders' submissions will include, inter alia:

Compliance Evaluation – Pass/Fail

Technical Evaluation – Scored

- Conceptual design and master planning
- Construction plan for the initial works
- Business plan
- investment program

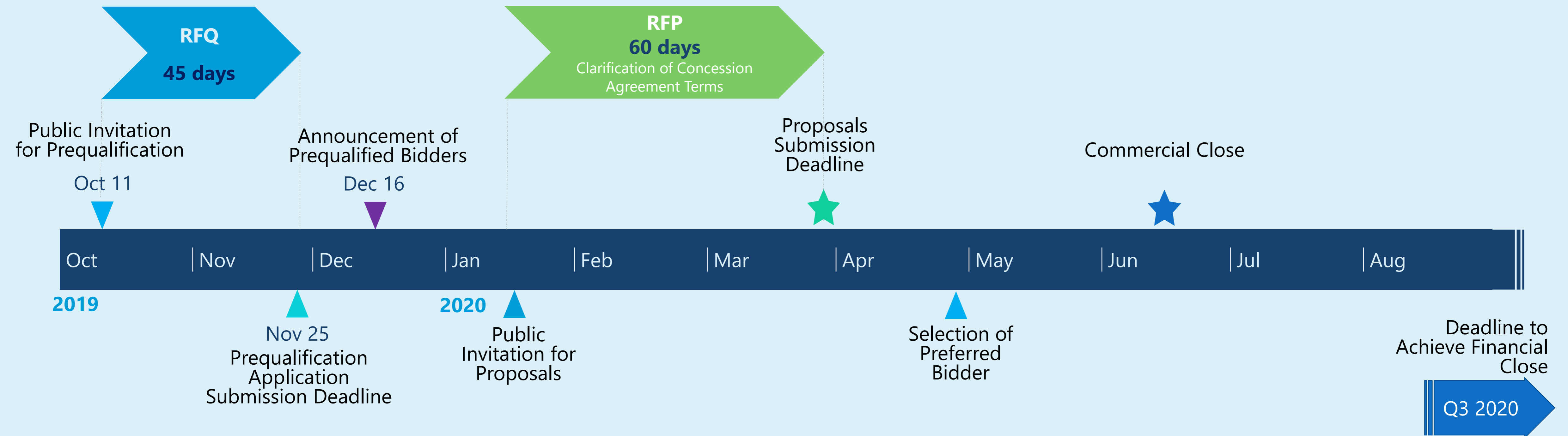
Improvement of flight availability – Scored

Financial Evaluation – Scored

- Upfront concession fee value;
- the gross revenue percentage as the annual concession fee;
- investment program

Total Score: weighted average of the Technical Score, Financial Score and Improvement of flight availability Score

The MoT will implement a transparent and competitive tender to maximize its outcome



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Q&A



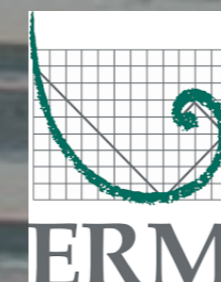
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