

MEMORANDUM OF UNDERSTANDING

Delegations representing the Aeronautical Authorities of the Russian Federation and the Republic of Korea (hereinafter referred as the Russian delegation and the Korean delegation or both sides respectively) met in Moscow, Russian Federation, from 10 May to 11 May, 2012 in order to discuss matters relating to further development of aviation relations between the two countries.

The name list of the two delegations is attached hereto as Appendix 1.

The discussions were conducted in a very cordial and friendly atmosphere.

In addition to the arrangements contained in Memorandum of Understanding signed on 22 May, 2009 the following understandings were reached:

1. Local traffic

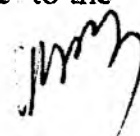
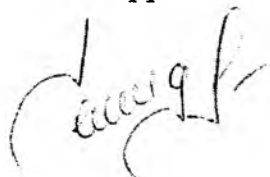
With reference to previous information of the Russian side the Russian delegation reconfirms the opening of the international airport Vladivostok. With a view to further develop air services under 3rd and 4th freedom traffic rights the two delegations agreed to establish free operation on the routes between points in Korea and Vladivostok without limitation on the number of designated airlines and frequency entitlements for the designated airlines of both sides.

2. Code sharing arrangements

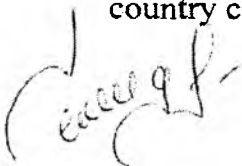
Considering progress trends in cooperation between airlines at present time both delegations emphasized development of code sharing operations and agreed that the current code sharing arrangements stipulated in the Memorandum of Understanding signed on May 22, 2009 should be replaced by the following:

Code sharing on the specified routes

1. The designated airline(s) of each country may subject to the following conditions, enter into code-share arrangements on the routes set out in the Annex to the Air Services Agreement, with any airline(s) of the same country, any airline(s) of the other country and/or any airline(s) of the third countries which have the appropriate authority to exercise traffic rights over the segments concerned, either as an operating airline(s) (i.e. to carry partner airline(s)'s code on its own services) or marketing airline(s) (i.e. to put its code on partner airline(s)' services), subject to the approval of the respective Aeronautical Authorities.



2. All operating airlines involved in the code-share arrangements should hold the underlying traffic rights on the route or segment concerned.
3. All marketing airlines involved in the code-share arrangements may hold out and market third and fourth freedom services on the route or segment concerned.
4. All traffic carried by the code-shared services will be counted against the capacity entitlement of the side designating the operating airline. There will be no limitation on capacity to be offered by the marketing airline on code-shared services.
5. No fifth freedom or stopover rights may be exercised by the marketing carrier on code-shared flights.
6. Nothing in these code-share arrangements will provide the airline(s) of either side with any additional own-operated aircraft rights, apart from the ability to enter into code-share arrangements as stipulated above.
7. Each airline participating in code-sharing should ensure that at the point of sale of a passenger ticket for a service to be operated under the above code-share arrangements, the passenger is notified, in respect of each journey or each segment of a journey, as to which airline is the actual operating airline. Furthermore, each participating airline should instruct its agents to comply with this notification requirement. The airline(s) of both sides should ensure that the third country airline(s) participating in the code-share arrangement would also comply with the above requirement.
8. The Aeronautical Authorities of both sides may require the airline(s) participating in the code-share arrangements to file schedules and timetables with them.
9. Applications in accordance with the above code-share arrangements should be submitted by the airline(s) participating in code-share arrangements to the aeronautical authorities of both sides for approval at least 30 days in advance, unless the requirement for approval is waived in advance by the Aeronautical Authorities concerned. In case it is foreseen that a decision cannot be made within 30 days, the Aeronautical Authorities concerned should make an interim reply to the airline(s) concerned. In determining whether an application for code-sharing operation should be approved, apart from the normal regulatory requirements, each side may also take into account competition implications arising from such an operation.
10. Where an application for code-sharing operation involves a third country airline, either side may, as a condition precedent to giving the normal regulatory approval, obtain an understanding with that third country that the latter would authorize or allow comparable code-sharing arrangements between the airlines of the side seeking such understanding and other airlines on services to, from and via the third country concerned.



11. Code sharing agreements shall be subject to the approval of the Aeronautical Authorities of both Parties.

12. Code sharing flights along Transsiberian and Transpolar route networks are subject to commercial agreement between Russian and Korean designated airlines.

B. Code sharing on domestic segments

1. The designated airline(s) of each country may enter into code sharing arrangements on the connecting domestic segments in the territory of the other country with any airline(s) of the other country subject to the approval of the respective Aeronautical Authorities.

2. The maximum number of the segment(s) or frequencies for such code sharing services should not be limited.

3. The designated airline(s) of each country should not exercise cabotage rights in the other country using the code sharing arrangements except for its (their) own stopover traffic.

3. Other matters

Both delegations also discussed the issue of exchange of 5th freedom traffic rights for Russian airlines while operating between points in the Republic of Korea and points in North America for additional increase of overflying rights on the Transsiberian routes. Both delegations agreed to revert to this issue on the next round of consultations. In the meantime both delegations agreed that all overflights operations will be exercised in full accordance with capacity entitlements agreed. Russian side also stated that no additional or charter operations will be approved in excess of agreed amount of frequencies.

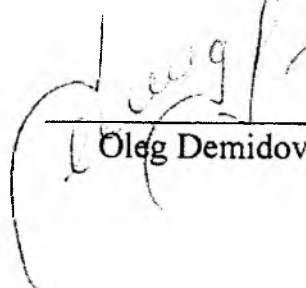
Both sides also discussed the issue of nomination of points beyond while operating on Transsiberian, Transpolar and Crosspolar routes and agreed to discuss it during next round of consultations.

Russian delegation asked to issue permission with immediate effect for utilization by the Russian airlines of 0,5 frequency for one way operation with 5th freedom traffic rights on the sector NRT - ICN bearing in mind that this approach was applied by Russian authorities towards Korean airlines operating overflights.

The present Memorandum of Understanding shall come into effect on the date of signature.

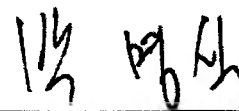
Done in Moscow on 11 May, 2012.

For the Russian Delegation



Oleg Demidov

For the Korean Delegation



Park, Myoung Sik

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1st Secretary, First Department of Asia
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