

**AIR SERVICES AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF ICELAND
AND
THE GOVERNMENT OF THE REPUBLIC OF CROATIA**

The Government of the Republic of Iceland and the Government of the Republic of Croatia (hereinafter, "the Contracting Parties");

Being Contracting Parties to the Convention on International Civil Aviation, opened for signature at Chicago on December 7, 1944;

Desiring to promote their mutual relations in the field of civil aviation and to conclude an agreement for the purpose of establishing and facilitating international air services between and beyond their respective territories;

Desiring to promote an international aviation system based on competition among airlines in the marketplace with minimum government interference and regulation;

Desiring to ensure the highest degree of safety and security in international air transport and reaffirming their grave concern about acts or threats against the security of aircraft, which jeopardize the safety of persons or property, adversely affect the operation of air transportation, and undermine public confidence in the safety of civil aviation;

Have agreed as follows:

**Article 1
*Definitions***

For the purposes of this Agreement, unless otherwise stated, the term:

1. "Aeronautical authorities" means, in the case of the Republic of Iceland, the Ministry of Communications and any person or agency authorized to perform the functions exercised by the said Ministry of Communications, and in the case of the Republic of Croatia, the Ministry of the Sea, Tourism, Transport and Development, or its successor;
2. "Agreement" means this Agreement, its Annexes, and any amendments thereto;
3. "Air transportation" means the public carriage by aircraft of passengers, baggage, cargo, and mail, separately or in combination, for remuneration or hire;
4. "Convention" means the Convention on International Civil Aviation, opened for signature at Chicago on December 7, 1944, and includes:
 - (1) any amendment that has entered into force under Article 94(a) of the Convention and has been ratified by both Contracting Parties, and
 - (2) any Annex or any amendment thereto adopted under Article 90 of the Convention, insofar as such Annex or amendment is at any given time effective for both Contracting Parties;

5. "Designated airline" means an airline designated and authorized in accordance with Article 3 of this Agreement;
6. "European Economic Area" is an enhanced free trade area established by the Agreement on the European Economic Area, signed in Oporto 2 May 1992, between the European Community and its member states on the one hand and the EFTA states with exclusion of Switzerland on the other hand. EFTA is an abbreviation for the European Free Trade Association of which Iceland is a member;
7. "Full cost" means the cost of providing service plus a reasonable charge for administrative overhead;
8. "International air transportation" means air transportation that passes through the airspace over the territory of more than one State;
9. "Price" means any fare, rate or charge for the carriage of passengers (and their baggage) and/or cargo (excluding mail) in air transportation charged by airlines, including their agents, and the conditions governing the availability of such fare, rate or charge;
10. "Stop for non-traffic purposes" means a landing for any purpose other than taking on or discharging passengers, baggage, cargo and/or mail in air transportation;
11. "Territory" has the meaning specified in Article 2 of the Convention;
12. "User charge" means a charge imposed on airlines for the provision of airport, air navigation, or aviation security facilities or services including related services and facilities.

Article 2

Grant of Rights

1. Each Contracting Party grants to the other Contracting Party the following rights for the conduct of international air transportation by the airlines of the other Contracting Party:
 - a. the right to fly across its territory without landing;
 - b. the right to make stops in its territory for non-traffic purposes; and
 - c. the rights otherwise specified in this Agreement.
2. Nothing in this Article shall be deemed to confer on the airline or airlines of one Contracting Party the rights to take on board, in the territory of the other Contracting Party, passengers, their baggage, cargo, or mail carried for compensation and destined for another point in the territory of that other Contracting Party.

Article 3
Designation and Authorisation

1. Each Contracting Party shall have the right to designate an airline or airlines for the purpose of operating the agreed services on each of the routes specified in the Annex and to withdraw or alter such designations. Such designations shall be made in writing and shall be transmitted to the other Contracting Party through diplomatic channels.
2. On receipt of such a designation and of applications from the designated airline, in the form and manner prescribed for operating authorisations and technical permissions, the other Party shall grant the appropriate authorisations and permissions with minimum procedural delay, provided:
 - a) in the case of an airline designated by Iceland:
 - (i) it is established in the territory of Iceland in accordance with the Agreement on the European Economic Area, and is licensed in accordance with national law adopted in accordance with the Agreement on the European Economic Area, and
 - (ii) effective regulatory control of the airline is exercised and maintained by a State which is a Contracting Party to the Agreement on the European Economic Area responsible for issuing its Air Operators Certificate and the relevant aeronautical authority is clearly identified in the designation;
 - b) in the case of an airline designated by Croatia:
 - (i) it is established in the territory of Croatia and is licensed in accordance with the applicable law of Croatia, and
 - (ii) Croatia has and maintains effective regulatory control of the airline; and
 - c) the designated airline is qualified to meet the conditions prescribed under the laws and regulations normally applied to the operation of international air services by the Contracting Party considering the application or applications.
3. Establishment of airlines according to this Article refers to a legal entity with permanent presence in the territory of the designating Contracting Party which respects the appropriate national legislation.

Article 4
Revocation or Suspension of Authorisation

Either Contracting Party may revoke, suspend or limit the operating authorisation or technical permissions of an airline designated by the other Contracting Party where:

- a) in the case of an airline designated by Iceland:
 - (i) it is not established in the territory of Iceland in accordance with the Agreement on the European Economic Area, or is not licensed in accordance

- (ii) with European Community law or in accordance with national law adopted in accordance with the Agreement on the European Economic Area, or effective regulatory control of the airline is not exercised or not maintained by a State which is a Contracting Party to the Agreement on the European Economic Area responsible for issuing its Air Operators Certificate, or the relevant aeronautical authority is not clearly identified in the designation;

b) in the case of an airline designated by Croatia:

- (i) it is not established in the territory of Croatia; or is not licensed in accordance with the applicable law of Croatia, or
- (ii) Croatia is not maintaining effective regulatory control of the airline; or

c) that airline has failed to comply with the laws and regulations referred to in Article 6 of this Agreement.

Article 5 *Application of Laws*

1. While entering, within, or leaving the territory of one Contracting Party, its laws and regulations relating to the operation and navigation of aircraft shall be complied with by the other Contracting Party's airlines.
2. While entering, within, or leaving the territory of one Contracting Party, its laws and regulations relating to the admission to or departure from its territory of passengers, crew or cargo on aircraft (including but not limited to regulations relating to entry, clearance, aviation security, immigration, passports, customs and quarantine or, in the case of mail, postal regulations) shall be complied with by, or on behalf of, such passengers, crew or cargo of the other Contracting Party's airlines.

Article 6 *Safety*

1. Each Contracting Party shall recognize as valid, for the purpose of operating the air transportation provided for in this Agreement, certificates of airworthiness, certificates of competency, and licenses issued or validated by the other Contracting Party and still in force, provided that the requirements for such certificates or licenses at least equal the minimum standards that may be established pursuant to the Convention. Each Contracting Party may, however, refuse to recognize as valid for the purpose of flight above its own territory, certificates of competency and licenses granted to or validated for its own nationals by the other Contracting Party.
2. Either Contracting Party may request consultations concerning the safety standards maintained by the other Contracting Party relating to aeronautical facilities, aircrews, aircraft, and operation of the designated airlines. If, following such consultations, one Contracting Party finds that the other Contracting Party does not effectively maintain and administer safety standards and requirements in these areas that at least equal the minimum standards that may be established pursuant to the Convention, the other Contracting Party

shall be notified of such findings and the steps considered necessary to conform with these minimum standards, and the other Contracting Party shall take appropriate corrective action. Each Contracting Party reserves the right to withhold, revoke, or limit the operating authorization or technical permission of an airline or airlines designated by the other Contracting Party in the event the other Contracting Party does not take such appropriate corrective action within a reasonable time.

Article 7 ***Aviation Security***

1. In accordance with their rights and obligations under international law, the Contracting Parties reaffirm that their obligation to each other to protect the security of civil aviation against acts of unlawful interference forms an integral part of this Agreement. Without limiting the generality of their rights and obligations under international law, the Contracting Parties shall in particular act in conformity with the provisions of the Convention on Offences and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on September 14, 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on December 16, 1970, and the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on September 23, 1971 and its protocol signed on February 24, 1988 or any other convention on aviation security to which both Contracting Parties shall become parties.
2. The Contracting Parties shall provide upon request all necessary assistance to each other to prevent acts of unlawful seizure of civil aircraft and other unlawful acts against the safety of such aircraft, of their passengers and crew, and of airports and air navigation facilities, and to address any other threat to the security of civil air navigation.
3. The Contracting Parties shall, in their mutual relations, act in conformity with all aviation security standards and appropriate recommended practices established by the International Civil Aviation Organization and designated as Annexes to the Convention; they shall require that operators of aircraft of their registry, operators of aircraft who have their principal place of business or permanent residence in their territory, and the operators of airports in their territory act in conformity with such aviation security provisions.
4. Each Contracting Party agrees to observe the security provisions required by the other Contracting Party for entry into the territory of that other Contracting Party and to take adequate measures to protect aircraft and to inspect passengers, crew, and their baggage and carry-on items, as well as cargo and aircraft stores, prior to and during boarding or loading. Each Contracting Party shall also give positive consideration to any request from the other Contracting Party for special security measures to meet a particular threat.
5. When an incident or threat of an incident of unlawful seizure of aircraft or other unlawful acts against the safety of passengers, crew, aircraft, airports or air navigation facilities occurs, the Contracting Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate rapidly and safely such incident or threat.
6. When a Contracting Party has reasonable grounds to believe that the other Contracting Party has departed from the aviation security provisions of this Article, the aeronautical authorities of that Contracting Party may request immediate consultations with the

aeronautical authorities of the other Contracting Party. Failure to reach a satisfactory agreement within 15 days from the date of such request shall constitute grounds to withhold, revoke, limit, or impose conditions on the operating authorization and technical permissions of an airline or airlines of that Contracting Party. When required by an emergency, a Contracting Party may take interim action prior to the expiry of 15 days.

Article 8
Commercial Opportunities

1. The airlines of each Contracting Party shall have the right to establish offices in the territory of the other Contracting Party for the promotion and sale of air transportation.
2. The designated airlines of each Contracting Party shall be entitled, in accordance with the laws and regulations of the other Contracting Party relating to entry, residence, and employment, to bring in and maintain in the territory of the other Contracting Party managerial, sales, technical, operational, and other specialist staff required for the provision of air transportation.
3. Each designated airline shall, as applicable, have the right to perform its own ground-handling in the territory of the other Contracting Party ("self-handling") or, at its option, select among competing agents for such services in whole or in part. The rights shall be subject only to physical constraints resulting from considerations of airport safety. Where such considerations preclude self-handling, ground services shall be available on an equal basis to all airlines; charges shall be based on the costs of services provided; and such services shall be comparable to the kind and quality of services as if self-handling were possible.
4. Any airline of each Contracting Party may engage in the sale of air transportation in the territory of the other Contracting Party directly and, at the airline's discretion, through its agents, except as may be specifically provided by regulations of the country in which the flight originates that relate to the protection of passenger funds, and passenger cancellation and refund rights. Each airline shall have the right to sell such transportation, and any person shall be free to purchase such transportation, in the currency of that territory or in freely convertible currencies.
5. Each airline shall have the right to convert and remit to its country, on demand, local revenues in excess of sums locally disbursed. Conversion and remittance shall be permitted promptly without restrictions or taxation in respect thereof at the rate of exchange applicable to current transactions and remittance on the date the carrier makes the initial application for remittance.
6. The airlines of each Contracting Party shall be permitted to pay for local expenses, including purchases of fuel, in the territory of the other Contracting Party in local currency. At their discretion, the airlines of each Contracting Party may pay for such expenses in the territory of the other Contracting Party in freely convertible currencies according to local currency regulation.

7. a) In operating or holding out the authorized services on the agreed routes, any designated airline of one Contracting Party may enter into co-operative marketing arrangements such as blocked-space, code-sharing or leasing arrangements, with

- i) an airline or airlines of either Contracting Party, and
- ii) an airline or airlines of a third country,

provided that such third country authorizes or allows comparable arrangements between the airlines of the other Contracting Party and other airlines on services to, from and via such third country; provided that all airlines in such arrangements 1) hold the appropriate authority and 2) meet the requirements normally applied to such arrangements.

- b) Notwithstanding the provision of ii above, if an airline of one Contracting Party holds out service between a point in the other Contracting Party's territory and a point in a third country by means of a code-share arrangement on any segment of that service with an airline of the other Contracting Party, the first Contracting Party must authorize or allow any airline of the other Contracting Party to code share with any airline on any segment of services between that third country and the other Contracting Party via a point or points in the territory of the first Contracting Party.

Article 9

Customs Duties and Charges

1. On arriving in the territory of one Contracting Party, aircraft operated in international air transportation by the designated airlines of the other Contracting Party, their regular equipment, ground equipment, fuel, lubricants, consumable technical supplies, spare parts (including engines), aircraft stores (including but not limited to such items of food, beverages and liquor, tobacco and other products destined for sale to or use by passengers in limited quantities during flight), and other items intended for or used solely in connection with the operation or servicing of aircraft engaged in international air transportation shall be exempt, on the basis of reciprocity, from all import restrictions, property taxes, customs duties, excise taxes, and similar fees and charges that are (1) imposed by the national authorities, and (2) not based on the cost of services provided, provided that such equipment and supplies remain on board the aircraft to the fullest extent possible under that Contracting Party's national law.
2. There shall also be exempt, on the basis of reciprocity, from the taxes, levies, duties, fees and charges referred to in paragraph 1 of this Article, with the exception of charges based on the cost of the service provided to the fullest extent possible under that Contracting Party's national law:
 - a) aircraft stores introduced into or supplied in the territory of a Contracting Party and taken on board, within reasonable limits, for use on outbound aircraft of an airline of the other Contracting Party engaged in international air transportation, even when these stores are to be used on a part of the journey performed over the territory of the Contracting Party in which they are taken on board;

- b) ground equipment and spare parts (including engines) introduced into the territory of a Contracting Party for the servicing, maintenance, or repair of aircraft of an airline of the other Contracting Party used in international air transportation;
 - c) fuel, lubricants and consumable technical supplies introduced into or supplied in the territory of a Contracting Party for use in an aircraft of an airline of the other Contracting Party engaged in international air transportation, even when these supplies are to be used on a part of the journey performed over the territory of the Contracting Party in which they are taken on board; and
 - d) promotional and advertising materials introduced into or supplied in the territory of one Contracting Party and taken on board, within reasonable limits, for use on outbound aircraft of an airline of the other Contracting Party engaged in international air transportation, even when these stores are to be used on a part of the journey performed over the territory of the Contracting Party in which they are taken on board.
3. Equipment and supplies referred to in paragraphs 1 and 2 of this Article may be required to be kept under the supervision or control of the appropriate authorities.
 4. The exemptions provided by this Article shall also be available where the designated airlines of one Contracting Party have contracted with another airline, which similarly enjoys such exemptions from the other Contracting Party, for the loan or transfer in the territory of the other Contracting Party of the items specified in paragraphs 1 and 2 of this Article.

Article 10 *User Charges*

1. User charges that may be imposed by the competent charging authorities or bodies of each Contracting Party on the airlines of the other Contracting Party shall be just, reasonable, not unjustly discriminatory, and equitably apportioned among categories of users. In any event, any such user charges shall be assessed on the airlines of the other Contracting Party on terms not less favourable than the most favourable terms available to any other airline at the time the charges are assessed.
2. User charges imposed on the airlines of the other Contracting Party may reflect, but shall not exceed, the full cost to the competent charging authorities or bodies of providing the appropriate airport, airport environmental, air navigation, and aviation security facilities and services at the airport or within the airport system. Such full cost may include a reasonable return on assets, after depreciation. Facilities and services for which charges are made shall be provided on an efficient and economic basis.
3. Each Contracting Party shall encourage consultations between the competent charging authorities or bodies in its territory and the airlines using the services and facilities, and shall encourage the competent charging authorities or bodies and the airlines to exchange such information as may be necessary to permit an accurate review of the reasonableness of the charges in accordance with the principles of paragraphs (1) and (2) of this Article. Each Contracting Party shall encourage the competent charging authorities to provide users

with reasonable notice of any proposal for changes in user charges to enable users to express their views before changes are made.

4. Neither Contracting Party shall be held, in dispute resolution procedures pursuant to Article 16, to be in breach of a provision of this Article, unless (i) it fails to undertake a review of the charge or practice that is the subject of complaint by the other Contracting Party within a reasonable amount of time; or (ii) following such a review it fails to take all steps within its power to remedy any charge or practice that is inconsistent with this Article.

Article 11 ***Avoidance of Double Taxation***

1. Income and profits derived from the operation of the agreed services by an airline of one Contracting Party, which are subject to tax in the area of that Contracting Party, shall be exempt from income tax, profits tax and all other taxes on income and profits imposed in the area of the other Contracting Party.
2. Capital and assets of an airline of one Contracting Party relating to the operation of the agreed services shall be exempt from taxes on capital and assets imposed in the territory of the other Contracting Party.
3. Where a special agreement for the avoidance of double taxation with respect to taxes on income and on capital exist between the Contracting Parties, the provisions of the latter shall prevail.

Article 12 ***Fair Competition***

1. There shall be fair and equal opportunity for the designated airlines of each Contracting Party to operate air services on any route specified in the Annex to this Agreement.
2. Each Contracting Party shall allow each designated airline to determine the frequency and capacity of the international air transportation it offers based upon commercial considerations in the marketplace. The air services provided by a designated airlines shall retain as their primary objective the provision of capacity adequate to current and reasonably anticipated requirements for the carriage of passengers, mail and freight, coming from or destined for the territory of the Contracting Party designated the airline.
3. Neither Contracting Party shall require the filing of schedules or operational plans by airlines of the other Contracting Party for approval, except as may be required on a non-discriminatory basis to enforce the uniform conditions foreseen by paragraph 2 of this Article or as may be specifically authorized in an Annex to this Agreement. If a Contracting Party requires filings for information purposes, it shall minimize the administrative burdens of filing requirements and procedures on air transportation intermediaries and on designated airlines of the other Contracting Party.

Article 13
Pricing

1. Each Contracting Party shall allow prices for air transportation to be decided by each designated airline based upon commercial considerations in the marketplace. Intervention by the Contracting Parties shall be limited to:
 - a) prevention of unreasonably discriminatory prices or practices;
 - b) protection of consumers from prices that are unreasonably high or restrictive due to the abuse of a dominant position; and
 - c) protection of airlines from prices that are artificially low due to direct or indirect governmental subsidy or support.

However, airlines designated by the Republic of Croatia shall not on the basis of this Agreement be entitled to introduce or continue lower prices for air transportation on air routes within the European Economic Area than are already offered in the market, in accordance with Council Regulation (EEC) No 2409/1992 of 23 July 1992 on fares and rates for air services.

2. Each Party may require notification to or filing with its aeronautical authorities of prices to be charged to or from its territory by airlines of the other Party. Notification or filing by the airlines of both Parties may be required no more than 30 days before the proposed date of effectiveness. In individual cases, notification or filing may be permitted on shorter notice than normally required. Neither Party shall require the notification or filing by airlines of the other Party of prices charged by charterers to the public, except as may be required on a non-discriminatory basis for information purposes.
3. Notwithstanding paragraphs above, each designated airline has the right to match any price offered in the marketplace.

Article 14
Intermodal Services

Notwithstanding any other provision of this Agreement, airlines and indirect providers of cargo transportation of both Contracting Parties shall be permitted, without restriction, to employ in connection with international air transportation any surface transportation for cargo to or from any points in the territories of the Contracting Parties or in third countries, including transport to and from all airports with customs facilities, and including, where applicable, the right to transport cargo in bond under applicable laws and regulations. Such cargo, whether moving by surface or by air, shall have access to airport customs processing and facilities. Airlines may elect to perform their own surface transportation or to provide it through arrangements with other surface carriers, including surface transportation operated by other airlines and indirect providers of cargo air transportation. Such intermodal cargo services may be offered at a single, through price for the air and surface transportation combined, provided that shippers are not misled as to the facts concerning such transportation.

Article 15
Investigation of Accidents

1. In the case of a forced landing or accident of an aircraft of either Contracting Party within the territory of the other Contracting Party, the aeronautical authorities of the Contracting Party in whose territory the forced landing or accident takes place shall immediately notify the aeronautical authorities of the other Contracting Party thereof, take immediate steps to assist the crew and the passengers, provide for the safety of the aircraft and mail, baggage and cargo on board and take necessary measures for an inquiry into the particulars and circumstances of the forced landing or accident.
2. The aeronautical authorities of the Contracting Party conducting the inquiry into the particulars and circumstances of the forced landing or accident shall inform the aeronautical authorities of the other Contracting Party of the holding of the inquiry and the aeronautical authorities of the other Contracting Party shall be granted full facilities to be represented at the inquiry. The aeronautical authorities of the Contracting Party conducting the inquiry shall send to the aeronautical authorities of the other Contracting Party the report of the inquiry as soon as it is available.

Article 16
Consultations and Settlement of Disputes

1. In a spirit of close co-operation, either Contracting Party may, at any time, request consultations relating to this Agreement, its implementation and satisfactory compliance with the provisions of this Agreement.
2. If any disputes arises between the Contracting Parties relating to the interpretation or application of this Agreement, the Contracting Parties shall endeavour to settle it by consultation. Such consultations shall commence as soon as practicable but in any event not later than sixty (60) days from the date of receipt of the request for consultations, unless otherwise agreed by the Contracting Parties.
3. If the Contracting Parties fail to reach a settlement by consultations, they may agree to refer the dispute for decision to a body of three arbitrators, one to be nominated by each Contracting Party and the third to be appointed by the two so nominated. Each of the Contracting Parties shall nominate an arbitrator within a period of sixty days from the date of receipt of a notice by either Contracting Party from the other, through diplomatic channels, requesting arbitration of the dispute and the third arbitrator shall be appointed within a further period of sixty days. If either of the Contracting Parties fails to nominate its own arbitrator within the period specified, or if the third arbitrator is not appointed within the period specified, the President of the Council of the International Civil Aviation Organisation may be requested by either Contracting Party to appoint an arbitrator or arbitrators as the case requires. In all cases, the third arbitrator shall be a national of a third state and shall act as President of an arbitral body.
4. The Contracting Parties undertake to comply with any decision given under paragraph 3 of this Article.

Article 17
Modification

1. If either of the Contracting Parties considers it desirable to modify any provision of this Agreement, it may request consultations between the aeronautical authorities of both Contracting Parties in relation to the proposed modification. Such consultations shall commence within a period of sixty days (60) of the date of receipt of the request. Any modifications so agreed shall come into force when they have been confirmed by an exchange of diplomatic notes by both Contracting Parties, through the diplomatic channels.
2. A modification to the Annex may be made by direct agreement between the aeronautical authorities of both Contracting Parties and shall enter into force when it has been confirmed by exchange of diplomatic notes, through the diplomatic channels.

Article 18
Denunciation

Either Contracting Party may, at any time, give notice in writing, through diplomatic channels, to the other Contracting Party, of its decision to denounce this Agreement. Such notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate at midnight (at the place of receipt of the notice to the other Contracting Party) immediately before the first anniversary of the date of receipt of the notice by the other Contracting Party, unless the notice is withdrawn by agreement of the Contracting Parties before the end of this period.

Article 19
Registration with ICAO

This Agreement and all amendments thereto shall be registered with the International Civil Aviation Organization.

Article 20
Entry into force

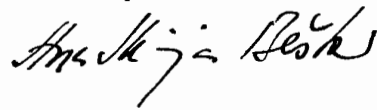
This Agreement shall enter into force on the date of receipt, through diplomatic channels, of the latter written notification by which the Contracting Parties inform each other on fulfilment of the internal constitutional requirements for entry into force of this Agreement. The Agreement shall be provisionally applied from the date of its signature.

IN WITNESS WHEREOF the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE at *Reykjavik* this *17* day of *June*, 2005
in duplicate, in the Icelandic, Croatian and English languages, each text being equally
authentic. In the case of divergence of interpretation, the English text shall prevail.

For the Government
of the Republic of Iceland

For the Government
of the Republic of Croatia



ANNEX I
Scheduled Services

Section 1
Routes

Airlines of each Contracting Party designated under this Annex shall, in accordance with the terms of their designation, be entitled to perform scheduled international air transportation between points on the following routes:

A. Routes for the airline or airlines designated by the Government of the Republic of Iceland:

For passenger services:

<i>From</i>	<i>To</i>	<i>Intermediate Points</i>	<i>Points Beyond</i>
<i>Points behind Iceland to be selected at the discretion of the Icelandic side, via Iceland</i>	<i>Points in Croatia</i>	<i>Points to be selected at the discretion of the Icelandic side</i>	<i>Points to be selected at the discretion of the Icelandic side</i>

For all-cargo services:

From points behind Iceland via Iceland and intermediate points to a point or points in Croatia and beyond.

For all-cargo service or services, between Croatia and any point or points.

B. Routes for the airline or airlines designated by the Government of Croatia:

For passenger services:

<i>From</i>	<i>To</i>	<i>Intermediate Points</i>	<i>Points Beyond</i>
<i>Points behind Croatia to be selected at the discretion of the Croatian side, via Croatia</i>	<i>Points in Iceland</i>	<i>Points to be selected at the discretion of the Croatian side</i>	<i>Points to be selected at the discretion of the Croatian side</i>

For all-cargo services:

From points behind Croatia via Croatia and intermediate points to a point or points in Iceland and beyond.

For all-cargo service or services, between Iceland and any point or points.

Section 2

Operational Flexibility

Each designated airline may, on any or all flights and at its option:

1. Operate flights in either or both directions;
2. Combine different flight numbers within one aircraft operation;
3. Serve behind, intermediate, and beyond points and points in the territories of the Contracting Parties on the routes in any combination and in any order;
4. Omit stops at any point or points;
5. Transfer traffic from any of its aircraft to any of its other aircraft at any point on the routes; and
6. Serve points behind any point in its territory with or without change of aircraft or flight number and may hold out and advertise such services to the public as through services;

Without directional or geographic limitation and without loss of any right to carry traffic otherwise permissible under this Agreement; provided that, with the exception of all-cargo services, the service serves a point in the territory of the Contracting Party designating the airline.

Section 3

Change of Gauge

On any segment or segments of the routes above, any designated airline may perform international air transportation without any limitation as to change, at any point on the route, in type or number of aircraft operated; provided that, with the exception of all-cargo services, in the outbound direction, the transportation beyond such point is a continuation of the transportation from the territory of the Contracting Party that has designated the airline and, in the inbound direction, the transportation to the territory of the Contracting Party that has designated the airline is a continuation of the transportation from beyond such point.

ANNEX II

Charter Air Transportation

Section 1

Airlines of each Contracting Party designated under this Annex shall, in accordance with the terms of their designation, have the right to carry international charter traffic of passengers (and their accompanying baggage) and/or cargo (including, but not limited to, freight forwarder, split, and combination (passenger/cargo) charters):

Between any point or points in the territory of the Contracting Party that has designated the airline and any point or points in the territory of the other Contracting Party; and

Between any point or points in the territory of the other Contracting Party and any point or points in a third country or countries, provided that, except with respect to cargo charters, such service constitutes part of a continuous operation, with or without a change of aircraft, that includes service to the homeland for the purpose of carrying local traffic between the homeland and the territory of the other Contracting Party.

In the performance of services covered by this Annex, airlines of each Contracting Party designated under this Annex shall also have the right: (1) to make stopovers at any points whether within or outside of the territory of either Contracting Party; (2) to carry transit traffic through the other Contracting Party's territory; and (3) to combine on the same aircraft traffic originating in one Contracting Party's territory, originating in the other Contracting Party's territory, and traffic originating in third countries.

Each Contracting Party shall extend favourable consideration to applications by airlines of the other Contracting Party to carry traffic not covered by this Annex on the basis of comity and reciprocity.

Section 2

Any airline designated by either Contracting Party performing international charter air transportation originating in the territory of either Contracting Party, whether on a one-way or round-trip basis, shall have the option of complying with the charter laws, regulations, and rules either of its homeland or of the other Contracting Party. If a Contracting Party applies different rules, regulations, terms, conditions, or limitations to one or more of its airlines, or to airlines of different countries, each designated airline shall be subject to the least restrictive of such criteria.

However, nothing contained in the above paragraph shall limit the rights of either Contracting Party to require airlines designated under this Annex by either Contracting Party to adhere to requirements relating to the protection of passenger funds and passenger cancellation and refund rights.

Section 3

Except with respect to the consumer protection rules referred to in the preceding paragraph above, neither Contracting Party shall require an airline designated under this Annex by the other Contracting Party, in respect of the carriage of traffic from the territory of that other Contracting Party or of a third country on a one-way or round-trip basis, to submit more than a declaration of conformity with the applicable laws, regulations and rules referred to under section 2 of this Annex or of a waiver of these laws, regulations, or rules granted by the applicable aeronautical authorities.

Section 4

The Aeronautical authority of each Contracting Party reserves the right to request advance notification regarding a charter flight or series of charter flights planned by a designated airline of each Contracting Party. Such notifications, if required, shall be sent within a reasonable time before the respective flight or flights are to take place and shall contain such information relating to the flight or flights as the relevant Contracting Party may have stipulated.

Should either Contracting Party find that a notified charter flight or series of charter flights will severely affect the economic viability of scheduled and or charter services of its national airlines, it may -- within a period of 48 hours (weekdays) after receipt of such notification -- make known to the notifying airline its disapproval of the planned charter flight or series of charter flights.