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**Authorisation to Proceed**

**Reference: D14024661**

**For Titanium Round Products**

**between**

**UKAD SAS**

**and**

**EADS Deutschland GmbH**

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This authorization to proceed agreement ("the AtP") is entered into on this September, 19th, 2014 ("the Effective Date")

between

**EADS Deutschland GmbH**

(renamed as Airbus Defence & Space GmbH from July, 1 2014)

Postfach 80 11 60

81663 Munich

Germany

a German company with limited liability having a share capital of twenty-eight million, seven hundred and thirty-eight thousand Euros (€28,738,000), whose office is located in Munich registered in the Munich Trade and Company Register under HRB 107 648 Amtsgericht Muenchen and whose national V.A.T. identification number is DE 167015661 (hereinafter "EADS Deutschland GmbH"),

acting as the "Purchaser" and/or as an agent for and on behalf of the "Purchasers" (as defined in the Contract, as Contract is defined hereafter),

represented by Olivier Cauquil and Oliver Dreier, duly empowered by EADS Deutschland GmbH, in their respective capacities as Chairman of the Materials Board and Metallics, Castings & Forgings Lead Buyer,

and

**UKAD SAS**

Tour Maine Montparnasse

33 Avenue du Maine

75755 Paris Cedex 15

France

created and existing under the laws of France, registered in the Trade and Company register under R.C.S. number 509 667 838, having a share capital of twenty five million Euros (€25,000,000), whose national V.A.T. identification number is FR 92 509 667 838,

represented by Georges Duval and Sylvain Gehler, duly empowered by UKAD SAS to negotiate and execute this Contract (hereinafter "the Supplier ")

UKAD SAS being a joint venture company of Aubert et Duval SAS and Ardor Holdings (UK) Limited

hereinafter referred to individually as a "Party" or jointly as the "Parties".

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Handwritten initials of the Purchaser, consisting of a stylized 'E'.



**WHEREAS**

- A) The Parties have entered into Procurement Frame Contract reference Airbus/MAT/CON/431 (hereinafter "the Contract").
- B) Except as expressly stated herein, capitalised terms used in this AtP shall have the same meaning as defined in the Contract.
- C) The Supplier and the Purchaser intend to set up specific terms and conditions as described in this AtP.

**1. PURPOSE**

This AtP sets out the terms and conditions under which the Supplier shall anticipate the activities necessary to manufacture, store and supply the Products as defined in this AtP ("the AtP Products").

The AtP Products are intended as a buffer/protection stock.

The Purchaser hereby confirms that the end-use of the AtP Products is strictly for the commercial aviation market.

**2. STOCK BUILD-UP**

**2.1. PRICE, QUANTITIES AND SCHEDULE**

The AtP Products constituting the initial stock ("the Initial AtP Products"), their prices, their quantities and the stock build up schedule are defined in Annex A "Titanium Round Products BOM".

It is agreed by the Parties that fifty percent (50%) of the related to the acceleration of the stock build-up will be paid by the Purchaser upon successful and on-time delivery of the ATP Products into the Storage Locations. The cost of this activity shall not exceed a total value of one hundred fifteen thousand Euro (115,000 Euro).

**2.2. INITIAL ATP PRODUCTS ORDER**

The Purchaser shall ensure that orders for billets and bloom as described in Annex A are placed before the delivery at Storage Location of the Initial ATP Products. The Purchaser shall further ensure that orders for ingots as described in Annex A are placed upon delivery at Storage Location of the Initial ATP Products but not earlier than 31<sup>st</sup>, October 2014.

Orders shall be placed by the Purchaser or a third party nominated by the Purchaser operating under terms and conditions jointly agreed by the Parties. The legal entity placing orders for the build-up the Initial AtP Products stock shall be defined as "the Initial Order Issuer". Each such order shall include the wording "AtP D14024661 stock build-up".

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It is agreed between the Parties that :

- (i) the value of the orders related to the Initial AtP Products stock build up shall be counted as turnover for the purposes of calculating the Turnover Value for the purposes of the obligations set forth in the Contract.
- (ii) the value of the orders related to the Initial AtP Products stock build up shall not be taken into account for the calculation of the Market Share set forth in the Contract.

### 2.3. PAYMENT

Upon delivery by the Supplier of each Initial AtP Product at the Storage Location as defined in Article 2.4., the Supplier shall issue a written notification to the Initial Order Issuer and invoice the Initial Order Issuer accordingly.

Each valid invoice shall be paid by the Initial Order Issuer within 10 days of reception of invoice. In case of late payment, penalties provided under Article L-441-6 of the French Commercial Code will apply.

### 2.4. STORAGE

Unless otherwise agreed between the Parties, the Supplier shall store the Initial AtP Products under customs duty suspension at :

- (i) For Ingots: CWT Commodities, Kesterenstraat 21. Shed 5+6, 3088 Rotterdam, The Netherlands
- (ii) for Forging Billets and Bloom: UKAD, RD 62 - La Croix de Biolet, 63780 Saint Georges de Mons, France

Both collectively designated as "the Storage Locations"

The Supplier shall manage, take care and stock, at no additional charge to the Purchaser, the Initial AtP Products at the Storage Location. The Supplier shall organise at its sole expense the stock of the Initial AtP Products in a segregated, clean and well maintained facility at the Storage Location, which is suitable for stocking the Initial AtP Products. The Storage Location shall be lockable, and access shall be restricted to nominated personnel agreed with the Purchaser.

The Supplier shall clearly mark the Initial AtP Products in a manner that makes them readily identifiable.

The Supplier shall be liable for maintaining and stocking the Initial AtP Products in accordance with all applicable rules of the relevant aviation authorities and the technical documentation and other instructions issued by the Purchaser. The Supplier shall maintain a quality system approved by relevant aviation authorities which shall cover the procedures for Product management, facilities, handling, storage, packaging, delivery and quality records.

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A handwritten signature in black ink, appearing to be 'G'.



On the first (1st) day of each month, or more frequently as mutually agreed between the Parties, the Supplier shall provide the Purchaser with an updated list of all Initial AtP Products held for the Purchaser under this AtP.

The Purchaser and any third party designated by the Purchaser shall be entitled, upon reasonable notice, to perform a quality audit on Supplier's procedures and warehouses from time to time, and the Supplier shall provide to the Purchaser a quality plan or copy of a quality manual including the relevant internal procedures, and shall allow the Purchaser access to the Storage Location in order to perform such audit. Any specific requirements of the Purchaser with respect to such plan of manual shall be discussed and agreed between the Parties.

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**2.5. TITLE AND RISK**

The legal and beneficial ownership of each Initial AtP Product shall be transferred to the Initial Order Issuer upon completion of the 3 following conditions:

- (i) The Initial Order Issuer has issued the order for the Initial AtP Product to the Supplier; and
- (ii) The Initial AtP Product is at the Storage Location; and
- (iii) The Supplier has notified (ii) above to the Initial Order Issuer.

Therefore, the Supplier shall maintain the Initial AtP Products free from any liens, mortgages, pledges and other encumbrances and to take all appropriate measures which the Initial Order Issuer may reasonably request to protect its interest and ownership in the Initial AtP Products.

Notwithstanding the above, the risk of loss or damage to an Initial AtP Product shall pass from the Supplier to the Purchaser or the Enabled Supplier upon delivery to the location specified by the Purchaser or the Enabled Supplier in the order, as provided for under Article 3 "Stock Consumption". Therefore, in case of loss or damage to the Initial AtP Products due to the non-fulfilment by the Supplier of its obligations, included but not limited to the storage requirements, the packaging and transport requirements, the Supplier shall be fully liable for the damages caused to the Purchaser or the Enabled Supplier.

Initial AtP Products shall be manufactured in accordance with the Specifications and dimensions defined in the Contract at time of Initial Order placement. Any subsequent changes to Specifications or dimensions will not affect the Purchaser's obligation to utilise (either directly or indirectly via Enabled Suppliers) AtP Products previously manufactured in accordance with the terms of this AtP and/or associated orders.

**2.6. INSURANCE**

For Initial AtP Products owned by the Initial Order Issuer, without prejudice to its liabilities and obligations under this AtP and the Contract, the Supplier shall obtain, maintain and keep in full force and effect, at the the cost of the Initial Order Issuer and with insurers of recognised reputation and securities, an all-risk insurance policy with respect to the Initial AtP Products stored at the Storage Location, for an amount equal to the value of the stored Initial AtP Products, naming the Initial Order Issuer as loss payee, with the deductibles, if any, being covered by the Supplier in the event of any damage to, or loss or destruction of the AtP Products until delivery to the location specified by the Purchaser or the Enabled Supplier in the order

The Supplier shall provide the Initial Order Issuer and the Purchaser on its request with a certificate of insurance evidencing the insurance coverage required hereunder and will keep the Initial Order Issuer and the Purchaser advised of any change to such coverage, at the latest, within ten (10) days of such change becoming effective.

All insurance premiums and other costs of maintaining the insurance shall be paid by the Initial Order Issuer.



### 3. STOCK CONSUMPTION

The Initial AtP Products stock is meant to be made available for Purchaser and Enabled Suppliers' use in accordance with the conditions of the Contract and according to the Purchaser's instructions to the Supplier.

The owner of Initial AtP Products shall be entitled to ask the Supplier to buy back each Initial AtP Product at the prices stated in Annex A and the Supplier shall proceed to such buy back upon Initial Order Issuer's request. In such a case the owner of the Initial AtP Products, when invoicing back to the Supplier, will apply the same payment terms as the ones the Supplier will apply to the Enabled Supplier under the terms of the Contract. The practical set up for instructions issuance and management, and buy back scheme remains to be defined by the Parties.

It is agreed between the Parties that :

- (i) the value of the orders related to the consumption of Initial AtP Products shall be counted as turnover for the purposes of calculating the Turnover Value for the purposes of the obligations set forth in the Contract.
- (ii) the value of the orders related to the consumption of Initial AtP Products shall be taken into account for the calculation of the Market Share set forth in the Contract.

### 4. STOCK REPLENISHMENT

The Parties agree to discuss the opportunity to extend further the Initial AtP Products stock build-up initiative. The practical way to extend the initiative remains to be agreed by the Parties and could take the form of a rolling inventory approach where the Supplier will replace in the stock the AtP Products delivered to the Enabled Suppliers or to the Purchaser, the terms and conditions of which are also subject to finalisation by the Parties.

### 5. ADDITIONAL COMMITMENTS OF THE PARTIES

The Parties agree that in the frame of the current negotiations of Amendment No. 3 to the Contract, the Contract will be formally amended to:

- (i) Reduce the overall Turnover Target, by fourteen million one hundred thousand United States Dollars (\$14,100,000), from one billion one hundred thirty eight million United States Dollars (\$1,138,000,000) to one billion one hundred twenty three million nine hundred thousand United States Dollars (\$1,123,900,000) (hereinafter "the Updated Turnover Target"); and
- (ii) Extend the Contract duration from 31<sup>st</sup> December 2022 to 31<sup>st</sup> December 2024 ("the Updated Expiry Date").

For the avoidance of doubt, the Updated Turnover Target shall be met by the Updated Expiry Date.



## 6. EFFECTIVE DATE

This AtP shall enter into force on the Effective Date.

## 7. CONFIDENTIALITY

The content of this AtP shall be considered as Confidential Information and shall be treated in accordance with the terms of Article 18.1 "Confidentiality" of the Contract.

The Supplier shall not release any information related to this AtP without the prior written agreement of the Purchaser.

## 8. AMENDMENT

This AtP shall not be amended except by specific agreement in writing signed by the duly authorised representatives of both Parties.

## 9. ARTICULATION WITH CONTRACT – ORDER OF PRECEDENCE

The Contract between the Parties shall remain unchanged and in full force. Nothing in this AtP shall be regarded as a waiver by the Purchaser of any provisions of the Contract, except as specifically stated in this AtP.

In the event of any conflict between this AtP and the Contract, this AtP shall prevail, for the purpose and the duration of this AtP only.

## 10. APPLICABLE LAW

This AtP shall be governed and construed in accordance with the laws of France and the provisions regarding applicable law and jurisdiction contained in the Contract shall apply *mutatis mutandis* to this AtP.

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IN WITNESS WHEREOF, this AtP has been executed, in two (2) original copies, by the duly authorised representatives of the Parties

Signed for and on behalf of  
**EADS Deutschland GmbH**

Olivier Cauquil  
Chairman of the Materials Board

Signed for and on behalf of  
**UKAD SAS**

Georges Duval

Oliver Dreier  
Metallics, Castings & Forgings Procurement

Sylvain Gehler



**ANNEX A: Titanium Round Products BOM**

**A1. BOM Demand**

Titanium Round Products	Total volume (metric tons)	Price USD/kg	Price USD/kg x tonnage requested	Ingot Specification / UKAD customer.	Tolerances
Bloom (RCS 9")	120	\$ 27.80	\$3,336,000	as per current Qualification	+/-10%
125	16	\$ 35.00	\$568,050	STMU K05S /Pamiers	+/-10%
130	5	\$ 34.50	\$186,645	STMU K05S / FdB	+/-10%
140	5	\$ 34.50	\$186,645	STMU K05S / FdB	+/-10%
152	5	\$ 32.00	\$173,120	STMU K05S / Böhler	+/-10%
160	16	\$ 32.00	\$519,360	STMU K05S / Pamiers	+/-10%
180	37	\$ 32.00	\$1,181,152	STMU K05S / Pamiers	+/-10%
200	60	\$ 31.00	\$1,858,791	STMU K05S / Pamiers	+/- 6 t
220	27	\$ 31.00	\$844,905	STMU K05S / Pamiers	+/-10%
240	146	\$ 30.50	\$4,455,135	STMU K05S / Pamiers	+/- 6 t
250	16	\$ 30.50	\$495,015	STMU K05S / Fdb , Fuchs partially	+/-10%
280	43	\$ 30.50	\$1,324,188	STMU K05S / Pamiers	+/-10%
330	102	\$ 30.50	\$3,107,279	STMU K05S / Pamiers	+/- 6 t
Ingot	200	\$ 23.00	\$4,600,000	STMU K05S	+/- 7 t
	800		\$ 22,836,285		
	Total		Total		

**Rounds**

**Note:** Billet at Random Length considered and against contract specification (might differ to Forging House Spec.)  
A&D Pamiers, Forge de Bologne (FdB), Böhler, Otto Fuchs (Alpha Beta Products) : STMU K05S (Ingot Specification)  
**Note:** Standard Contract Prices applied  
**Note:** Ingot Price applies mark-up of 3USD/kg



### A2. BOM stock buildup schedule (Ingots)

The Supplier confirms that the Ingots could be available upon signature of the ATP but due to constraints on Purchase Order placement for the stock build up, the Parties agree that the delivery of Ingots at the Storage Location shall start at the earliest 31-oct-14.

### A3. BOM stock build up schedule (Billet)

	sept-14					oct-14					nov-14				dec-14			
	W35	W36	W37	W38	W39	W40	W41	W42	W43	W44	W45	W46	W47	W48	W49	W50	W51	W52
Cumul. of engaged products (tons)			5	27	59	92	92	103	113	156	162	184	189	200	200	254	254	307
Cumul. of forged products before machining and UT control (tons)								5	15	27	59	92	103	113	156	162	184	
Cumul. of finished product (tons)													5	27	49	70	70	81

  

	jan-15					feb-15				march-15				april-15			
	W01	W02	W03	W04	W05	W06	W07	W08	W09	W10	W11	W12	W13	W14	W15	W16	W17
Cumul. of engaged products (tons)	334	345	345	351	351	372	394	410	448	470	486						
Cumul. of forged products before machining and UT control (tons)	189	200	200	254	254	307	334	345	345	351	351	372	394	410	448	470	486
Cumul. of finished product (tons)	81	92	140	146	173	173	183	189	243	297	307	318	318	324	324	351	372

  

	may-15				june-15				
	W18	W19	W20	W21	W22	W23	W24	W25	W26
Cumul. of engaged products (tons)									
Cumul. of forged products before machining and UT control (tons)									
Cumul. of finished product (tons)	389	426	470	486					

### A4. BOM stock built-up schedule (Bloom)

DYNAMET	feb-15				march-15				april-15			
	W06	W07	W08	W09	W10	W11	W12	W13	W14	W15	W16	W17
Cumul. of engaged products (tons)											25	50
Cumul. of forged products before grinding and final control												
Cumul. of finished product (tons)												

	may-15					june-15				july-15				
	W18	W19	W20	W21	W22	W23	W24	W25	W26	W27	W28	W29	W30	W31
Cumul. of engaged products (tons)	75	75	100	100	125									
Cumul. of forged products before grinding and final control			25	50	50	75	75	100	100	125				
Cumul. of finished product (tons)						25	25	50	50	75	75	100	125	