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Mr Didier GENEAU
Sales Director Forgital FMDL
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Copie :

Mr Benoît JUNG,
Purchasing Manager
Raw Material for Forging & Casting
171, boulevard de Valmy
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Object: Indemnification in relation to the Boeing 737 Max program suspension.

Dear Sir,

We revert to you following your email dated January 8, 2020, whereby you inform UKAD of Boeing’s decision to suspend production on the Boeing 737 MAX, and subsequent notifications you received from Safran Aircraft Engines (SAE), with request that the 2020 orders are put “ON HOLD”, and material deliveries must be suspended until Forgital new disposition.

First of all, and as per your request, we hereby confirm that the manufacturing and delivery of the UKAD products have effectively be put on hold.

As already - but not officially- explained, this decision has substantial consequences for UKAD, that need to be addressed in a consensual manner and in line with the contractual obligations of UKAD, Forgital and SAE.

In this regard, we would like to point out that UKAD signed a long-term agreement (LTA) with SAE, under which:

- “SAFRAN and UKAD have entered into discussion in order to set forth the terms and conditions under which UKAD and/or its Affiliates will provide SAFRAN Group **Companies and their subcontractors** (for the sole needs of SAFRAN Group Companies) with Materials”
- “Firm, Flexible and Estimated Periods” terms and conditions **can be transferred to Safran Subcontractors**, such as Forgital (Appendix 3 refer).

It is therefore established that, among others, the contractual commitments described in the said LTA apply to the present situation.

Article 1.1.3 of the LTA stipulates that “the Parties agree on the following definitions : Firm Period : define the period of time under which **the Purchaser undertakes to buy the Material** according to the requirements of an Order and/or a Purchase Program.”

The Forgital / SAE commitment to buy stipulated in article 1.1.3 being improperly executed, we request that an advance payment corresponding to the firm period should be put in place within the best delays and in line with the already agreed payment terms, being understood that the firm period (18 weeks) corresponds to the following:

Year	Month	Week	Qty [ton]	PO ref.	Firm Period 86 tons
2020	2	6	11,74	804/19 r.1	
2020	2	8	19,56	603/19 r.2 (12pz) + 804/19 r.2 (18pz)	
				804/19 r.3	
2020	3	11	11,74	804/19 r.4	
2020	3	13	11,74	804/19 r.5	
2020	4	16	11,74	806/19 r.1	
2020	4	18	11,74	804/19 r.6	
2020	5	20	7,82		

The abovementioned quantities correspond to a total price of 2,123 M\$, based on the 2020 base price of 24,59 \$ per kg.

Also, and as you might understand, UKAD has purchased material from sources in line with the flexible phase described in Appendix 2 and article 1.1 of the LTA, and also exchanged between us on a regular basis.

In this regard, we would like to point out that :

- Article 1.1.3 stipulates that:

“In case the forecasted volume decreases between -10% and -30% during the Flexible period, the Parties acknowledge that the initially forecasted volumes will in any case be purchased by the Purchaser within 6 months from the beginning of the Flexible Period”

- article 1.5.2 of the LTA stipulates that:

“Should one or more Materials be suppressed or modified at the initiative of SAFRAN, the Supplier shall establish a list of the existing stocks and work-in-process Materials and send it to the concerned Purchaser. The Supplier shall also examine any possibility to reallocate such stocks and work-in-process Materials subject to strict compliance with the supply obligation provisions. If the stocks and work-in-process Materials cannot be reused, the concerned Purchaser shall recover them at prices calculated according to their state of advancement, insofar as they are within the Firm and Flexible Period.”

As Forgital seems not to be able to propose this material for other application, UKAD is entitled to request its payment.

For this flexible period, UKAD has purchased the volumes of ingots necessary to achieve 47 tons of semi products, which corresponds to an estimated value of 1,040 M\$ before launching in production (90% of the final price) :

Year	Month	Week	Qty [ton]	PO ref.	
2020	5	22	11,74	806/19 r.2	Flexible Period 47 tons
2020	6	24	11,74	806/19 r.3	
2020	6	26	11,74	806/19 r.4	
2020	7	28	11,74	806/19 r.5	

By the present letter, UKAD therefore informs Forgital and Safran Aircraft Engine of the prejudice directly suffered in relation to the 737 Max program suspension and requests that the described amounts are properly considered, in line with the parties' contractual commitments.

Yours sincerely,

Patrick DELABORDE

UKAD VP Sales

Saint Georges de Mons, the 27/02/2020.

