

Business Terms and Conditions (hereinafter referred to only as the "BTC")

of AERO Vodochody AEROSPACE a.s., incorporated pursuant to the laws of the Czech Republic, with its registered seat at the address Odolena Voda, Dolínek, U Letiště 374, Postal Code: 250 70, Czech Republic, ID No.: 24194204, Tax ID No.: CZ24194204, a company registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry No. 17749

for the area of purchase

I. DEFINITIONS

For the purposes of these BTC, the following terms shall have the following meaning:

- a) "Supply Terms and Conditions" – specific terms and conditions used in the Agreement or in an Order for the supply of Goods pursuant to the provisions of the international INCOTERMS 2010 standards, as published by the ICC - International Chamber of Commerce in Paris,
- b) "Electronic Delivery" - delivery of a demonstration of will of a Contractual Party to the other Contractual Party in electronic form (by email) if such email contains as its integral part an attachment containing such Contractual Party's written demonstration of will signed by a person authorized to act on behalf of such Contractual Party in the form of a scanned in deed,
- c) "Purchase Price" - the final and invariable consideration for which the Seller transfers to the Purchaser the title to the Goods, which, however, does not include bank fees (while each Contractual Party shall bear its own costs),
- d) "Purchaser" - AERO Vodochody AEROSPACE a.s., conducting business in the field of aerospace industry, i.e., in the field of development, manufacturing, and trading of aircrafts or parts thereof, technologies and services,
- e) "Civil Code" - Act No. 89/2012 Coll., the Civil Code, as amended and supplemented.
- f) "Order" - Purchaser's written proposal aimed at entering into an Agreement; each Order shall state at least the subject of performance, its Purchase Price, and venue and time of performance,
- g) "BTC" - these business terms and conditions that are specified in the Order,
- h) "Seller" - each person/each entity with which the Purchaser has entered into the Agreement based on an Order,
- i) "Cases Worth Particular Consideration" - individually specified special cases that the Purchaser designates so, caused mainly by time-related reasons or logistic changes,
- j) "Agreement" - demonstration of will of both contractual parties, usually in written form, based on which the Seller is bound to supply the Goods to the Purchaser and to transfer the title to the Goods to the Purchaser, while the Purchaser is obliged to accept such Goods and pay the Purchase Price to the Seller,
- k) "Contractual Parties" – the Purchaser and Seller pursuant to the provisions the Agreement and these BTC,
- l) "Defective Goods" - means Goods that:
 - do not correspond to the specific requirements for Goods contained in the Agreement or the Order or do not correspond to the parameters specified in the quality standards, or
 - have any apparent or latent defects, or
 - have any legal defects.
- m) "Goods" – a newly manufactured movable item the specific properties of which or the quantity, quality, and kind of which are determined by the Agreement or by an Order.

II. INTRODUCTORY PROVISIONS

1. The differing provisions contained in the Agreement shall prevail over the wording of the BTC if such Agreement had been entered into in writing or in another manner not allowing for doubts about the joint will of the Purchaser and the Seller to differ from the wording of the BTC.
2. Every person that enters into a written Agreement referring to the BTC or that enters into an implied Agreement by supplying the requested Goods based on an Order containing a reference to the BTC that are known to the Contractual Parties at the time of execution of the Agreement or that are appended to the Order shall be deemed to have accepted the valid BTC without reservation.

III. ORDER

1. In each Order, the Purchaser shall include the data that they consider decisive in connection with the Agreement to which such Order is related according to the Purchaser's will and on which an accord of the Contractual Parties must be reached as a precondition of its execution. Each Order shall be delivered to the Seller by the Purchaser by mail, electronically or by facsimile. The Seller shall be obliged to confirm each Order within the period of time specified in the Order, and if no deadline is specified then within 15 calendar days following its dispatch by the Purchaser (hereinafter referred to only as the "deadline for acceptance of the Order") using the confirmation form, as sent to the Purchaser together with such order, through one of the above-specified means.
2. In Cases Worth Particular Consideration the Purchaser may also make an Order by telephone. However, it shall be obliged to consequently confirm such Order made by telephone by facsimile or electronically within 15 calendar days. Should it fail to do so, such Order made by telephone shall not be considered valid.
3. Should the Seller consider the data in an Order inaccurate, indefinite or insufficient for the purpose of stipulating the contents of the Agreement to which such Order is aiming, it shall be obliged to forthwith inform the Purchaser of such fact and to specify which data are so inaccurate, indefinite or insufficient. Consequently, the Purchaser shall be obliged to forthwith specify such Order. Should the Seller fail to call upon the Purchaser to specify an Order, the Purchaser shall have rights related to defective delivery of Goods.
4. Should the Seller fail to expressly confirm or reject an Order within a deadline specified in such Order and deliver the ordered Goods within a deadline decisive for the acceptance of an Order, i.e., within 15 calendar days, the Seller shall have accepted such Order and entered into an Agreement by acting - dispatch of Goods, thus accepting these BTC pursuant to the provisions of Article II, Section 2 of the BTC.
5. Should the Seller fail to accept the terms and conditions specified in the Order, it shall be obliged to send to the Purchaser its counterproposal within five calendar days and specify therein which terms and conditions it does not accept. The Purchaser shall be obliged to provide its statement on such counterproposal within 15 calendar days, i.e., to either explicitly accept the same by appending a stamp to the Order, or to explicitly reject the same or send a corrected Order. Should the Contractual Parties fail to agree on all material conditions of the Agreement, they shall enter into no Agreement. Pursuant to the provisions of Section 1740 (3) of the Civil Code, the Purchaser excludes acceptance of an Order with amendments or deviations that do not materially alter its terms and conditions.

IV. AMENDMENTS TO THE AGREEMENT

1. Any amendment to the Agreement must be approved by both Contractual Parties in writing.
2. In the following enumerated cases, the Purchaser shall be authorized to call upon the Seller to amend the Agreement:
 - a) change to logistic requirements
 - b) limitation or extinction of the need for the Goods due to constructional or technological changes.
3. Should an amendment to the Agreement result in the Seller's incurring of additional costs, the Seller shall be obliged to forthwith notify the Purchaser of such fact. In such notice, the Seller shall specify its estimate of the amount of costs to be thus incurred as a result of such modification of the Agreement. The Seller shall be obliged to duly prove such estimate using written supporting documentation. The Seller shall be liable for the professional appraisal of additional costs.
4. Should the Purchaser insist on such amendment to the Agreement after receiving such estimate of additional costs from the Seller, the Contractual Parties undertake to enter into an agreement on the Purchase Price in the form of a written amendment to the Agreement.

V. PURCHASE PRICE

1. Unless stipulated otherwise in the relevant Order, the Purchase Price shall include delivery of Goods including packaging of the same to the destination specified in the Order.
2. Such Purchase Price shall be specified in the Order or in the Agreement denominated in a specific currency.

3. If the Purchase Price has been confirmed by the Seller, it shall be binding for the same. Any increase in the initial costs incurred by the Seller in relation to the manufacturing of the Goods shall neither establish the Seller's right to increase the Purchase Price nor establish the Seller's right to rescind the relevant Agreement or to amend its terms and conditions in any manner. The Seller hereby assumes the risk of change in circumstances pursuant to the provisions of Section 1765 of the Civil Code.
4. Upon agreement with the Seller, the Purchaser may provide an advance deposit for the Purchase Price. The Seller shall not be authorized to set off such advance deposit against other receivables, if any, than those related to the Purchase Price pursuant to the provisions of the specific Agreement or to use the same as payment for any damage or non-property loss that may be incurred.

VI. TERMS OF PAYMENT

1. The Purchaser shall pay the Purchase Price or, as the case may be, make other monetary payments based on an invoice issued by the Seller. Each invoice shall include, without limitation, the Order number, data identifying the Seller and the Purchaser, including the bank details, specification of the Goods, including the number of Goods assigned thereto by the Purchaser, the Purchase Price, currency, date of issuance of the invoice and the taxable supplies date (for persons from European Union countries, also the VAT No.), and other data on which the Contractual Parties may agree or that ensue from the generally binding legal rules and regulations.
2. Unless agreed upon otherwise in the Agreement, the maturity period of an invoice shall not occur earlier than 60 days after the Purchaser has obtained both the Seller's invoice and the Goods corresponding to such invoice.
3. A monetary debt shall be deemed satisfied on the date of its debiting from the bank account of the Contractual Party paying such monetary debt.
4. The Purchaser shall be authorized to unilaterally set off any of its receivables from the Seller, including uncertain or indefinite receivables, against the payment of the Purchase Price based on an invoice issued by the Seller in respect of the Purchase Price.
5. The Purchaser shall be authorized to return the invoice to the Purchaser without payment if such invoice fails to contain the requisites specified in subsection 1 of this article.

VII. DELIVERY OF GOODS

1. The Seller shall be obliged to deliver the Goods in the quantity, making and quality stipulated in the Agreement and by the date and to the venue stipulated in the Agreement.
2. The Seller shall be obliged to deliver to the Purchaser all documents required to accept and use the Goods as well as any other documents specified in the Agreement or documents common in such cases with a view to the character of the supplied Goods (for example, the manufacturing number/batch number), including, without limitation, the packing list, the carriage document, the certificate of the required type, and the invoice. The Seller shall also deliver to the Purchaser together with the Goods the original of the bill of delivery containing the following data:
 - name and full identification of the Seller, including the telephone number of the contact person responsible for the dispatch of the Goods,
 - name and full identification of the Purchaser according to the data in the Agreement, including the name of the contact person that ordered the Goods, according to the data in the Order or in the Agreement,
 - number of bill of delivery,
 - number of the Order or Agreement,
 - technical designation of the Goods,
 - manufacturing number of the Goods if the Goods are designated with a manufacturing number, and batch number of the same,
 - quantity of the Goods,
 - Purchaser's number of the Goods, as specified in the Order or in the Agreement with this item,
 - number of storehouse for the Goods, if specified in the Order or Agreement,
 - date of issuance of the bill of delivery,
 - or, as the case may be, other data according to the relevant Order or Agreement.
3. If export or import licenses are required for the delivery of the Goods, the Seller shall be obliged to obtain the export license and the Purchaser shall be obliged to obtain the import license.
4. The Goods shall be delivered in packaging set forth by the relevant standards for the agreed type of Goods and for the agreed Terms of Delivery so as to prevent any damage to the Goods during transportation to the agreed destination. Unless stipulated otherwise in the Order or Agreement, the packaging and method of packaging shall be determined by the Seller who shall also inform the forwarding agent of any specific regime for delivery of the Goods, if required for the relevant Goods.
5. The Seller shall only be authorized to deliver the Goods before the agreed deadline subject to the Purchaser's consent. Unless agreed otherwise, no partial deliveries shall be permitted.

VIII. HANDING OVER OF GOODS

1. Unless stipulated otherwise in an Order or Agreement, the FCA clause pursuant to the provisions of the INCOTERMS 2010 terms and conditions applicable to the place specified in the Agreement or Order shall apply to the delivery of the Goods.
2. The Purchaser shall acquire the ownership title to the Goods upon the delivery thereto of the Goods, unless agreed otherwise by the Contractual Parties in writing.
3. The Purchaser shall acquire the ownership title to the Goods in good faith that the Seller is the owner of the Goods, thus being authorized to transfer such title. Should a third party claim the ownership title to the Goods or restricting of the ownership title of the Purchaser to the Goods, the Seller shall be obliged to provide cooperation to the Purchaser in protecting its ownership title.
4. The Purchaser does not wish to receive any partial payments. The Purchaser shall be authorized to only accept the Goods in the making agreed in the relevant Agreement or Order. The Purchaser shall not be obliged to accept any performance pursuant to the corresponding Agreement or Order from a third party, unless agreed otherwise between the Contractual Parties.

IX. RIGHTS ENSUING FROM DEFECTIVE GOODS

1. Should the Seller provide defective performance, the Purchaser shall have the rights ensuing from such defective performance as of the moment of passing to the Purchaser of the risk of damage to the Goods, regardless of whether such defect becomes apparent at a later date. The Purchaser shall also have the rights ensuing from defective performance in the event a defect only occurs after the passing of the risk of damage to the Goods if caused as a result of breach of the Seller's obligation.
2. The Purchaser shall be obliged to inspect the Goods as soon as possible after the delivery of the same to the Purchaser's registered seat.
3. Should Defective Goods be delivered to the Purchaser, the Agreement shall be thus breached materially. In such event the Purchaser shall have the following options to use at its own discretion:
 - a) to claim delivery of substitute or missing Goods at the Seller's expense, or
 - b) to claim repair of Defective Goods - if they can be repaired - at the Seller's expense, or
 - c) to claim adequate discount from the Purchase Price, or
 - d) to claim remediation of legal defects, or
 - e) to rescind the Agreement.
4. If the Seller fails to recognize the legitimacy of the defects in the Purchaser's Goods ensuing from Defective Goods and the Contractual Parties are unable to resolve such dispute amicably, such disputable claim of the Purchaser shall be subject to court proceedings.
5. In the event of delivery of Defective Goods, the Purchaser shall be authorized to carry out an inspection at the Seller's and depending on the results of such inspection, to order to the Seller taking of remedies for the purpose of excluding defects of any future deliveries of the Goods. In the event the Seller is not a manufacturer of the Goods, it shall be obliged to enable carrying out of such inspection by the Purchaser in the manufacturer's premises. The costs of such inspection and remedies shall be borne by the Seller.

X. QUALITY WARRANTY

The Seller hereby grants to the Purchaser the warranty of 36 months, unless stated otherwise in the Agreement or the Order, under the following terms and conditions:

- a) The warranty period shall commence on the date on which the Goods were delivered to the Purchaser.

- b) The Seller hereby guarantees that the Goods delivered shall have the agreed or the usual properties that it shall maintain during the entire term of the warranty. The quality warranty shall apply mainly to defects of materials used, of parts, construction, method of making, technologies used, errors in manufacturing, defects of packaging, and any other defects.
- c) The Seller shall be obliged to reimburse the Purchaser for the necessary costs incurred by the Purchaser in connection with the exercise of the warranty for the quality of Goods or with the exercise of claims related to Defective Goods. In Defective Goods the transportation of which for the purpose of remediation of defects would not be purposeful, repairs shall be carried out on site of the Goods and the Seller shall bear any and all costs of the transportation or travel to the site where repair is carried out and back.
- d) The Purchaser's claims exercised in relation to the defects of the Goods shall be settled by the Seller within 30 days following the date of exercise of such claims in respect of the Defective Goods.
- e) The warranty period for the Goods shall be extended by the period of time during which the Goods have not been qualified for use for the contracted or common purpose or lack the agreed or common properties. In the event the Defective Goods or a defective part are replaced with new Goods or a new part, the warranty period of such new item shall be 36 months.

XI. SANCTIONS AND TERM OF AGREEMENT

1. Each Contractual Party shall be authorized to rescind this Agreement in the event the other Contractual Party has materially breached its obligations arising from these BTC or from the Agreement and which breach it has failed to remedy even during the provided reasonable period of time.
2. Events of material breach of the Agreement shall include, without limitation, the following:
 - a) The Seller fails to deliver the Goods to the Purchaser in a timely manner,
 - b) The Seller has unjustly rejected the Purchaser's rights under defective performance of Goods or the quality warranty,
 - c) The Purchaser has been in default with the payment of an invoice or taking over of Goods for a period of time exceeding 30 days pursuant to the provisions of Article VI., Section 2 of the BTC,
 - d) The Seller has breached its obligation set forth in Article XIV, Section 1 of the BTC.
3. Rescission of the Agreement shall not affect the right to receive indemnification for any damage, including non-proprietary damage. For the purposes of these BTC, the application of Section 1978 (2) of the Civil Code shall be excluded, which sets forth that the expiration in vain of a grace period shall result in the termination of the Agreement without further notice.
4. In the event of the Seller's default with the delivery of the Goods, the Purchaser shall be authorized to bill to the Seller contractual penalty at 0.05% of the Purchase Price for each commenced day of such default. In the event of the Seller's default with the remediation of defects in the Goods delivered, the Purchaser shall be authorized to claim from the Seller the payment of contractual penalty at 0.05% of the price of the Defective Goods for each commenced day of such default. The maturity date of such contractual penalty exercised hereunder shall be on the day following the date of breach of the relevant obligation of the Seller.
5. In the event of the Purchaser's default with the payment of the invoice, the Seller shall be authorized to bill to the Purchaser default interest at 0.05% of the value of such unpaid invoice for each commenced day of such default. In the event of the Purchaser's default with the taking over of the Goods delivered, the Seller shall be authorized to charge to the Purchaser contractual penalty at 0.05% of the price of the Goods not taken over for each day of such default.
6. In the event of breach of the Seller's obligation pursuant to the provisions of Article XIV, Section 1 of the BTC, the Purchaser shall be authorized to claim contractual penalty at 30% of the value of the Order or Agreement in the currency stipulated in the specific Agreement or Order.

XII. INDEMNIFICATION FOR DAMAGE

1. Claims under defects of the Goods shall not affect the right to receive indemnification for damage or the right to claim contractual penalty.
2. In addition to the rights ensuing from defective performance, the Purchaser shall also be authorized to claim indemnification for damage including - for the avoidance of any doubts - lost profits resulting as a consequence of suspended or delayed manufacturing of the Purchaser as a consequence of defects in the Goods. Payment of the contractual penalty shall not affect the Purchaser's right to receive indemnification for damage in full, as arisen by the Purchaser as a consequence of breach of the relevant obligation of the Seller.

XIII. FORCE MAJEURE

1. The Contractual Parties shall be authorized to suspend performance of their obligations hereunder for the period of time during which extraordinary unforeseeable and insuperable obstructions exist which are independent of the will of the Contractual Parties (hereinafter referred to only as the "Force Majeure"). Events of Force Majeure shall include, without limitation, the following: strike, epidemic, fire, natural catastrophe, mobilization, war, riot, embargo, ban on foreign currency transfers, administrative restrictions not caused by the Contractual Parties (such as withdrawal of license), and terrorist attack. Events of Force Majeure shall not include, without limitation, the following: changes in price of feed materials, failure of the Seller's contractors and subcontractors to deliver their goods, and obstructions arisen from a Contractual Party's personal situation.
2. Force Majeure shall preclude the right to claim sanctions against a Contractual Party affected by Force Majeure.
3. The Contractual Party claiming the impacts of Force Majeure shall forthwith notify the other Contractual Party of such fact in writing and take any and all actions available to mitigate the consequences of such failure to perform its contractual obligations.
4. In the event of duration of an event of Force Majeure in excess of 45 days, both Contractual Parties shall be authorized to terminate the Agreement.

XIV. FINAL PROVISIONS

1. The Contractual Parties undertake to keep confidential towards third parties all material and non-material facts which they learn in connection with the performance of any Agreement of which these BTC constitute an integral part. Such facts shall constitute the subject of the Purchaser's business secret. Without the previous written consent of the Purchaser, the Seller shall not be authorized to use such facts for its own benefit or for the benefit of third parties, except for persons that are authorized to do so under the law, but it may only use the same for the performance in compliance with the executed Agreement.
2. The Purchaser shall be authorized to update the BTC. The Purchaser shall inform the Seller of the wording of its BTC in its website www.aero.cz and in each Order. The new current wording shall be published by the Purchaser on the above-specified website within 30 calendar days before the effectiveness of such change. The Purchaser shall also inform the Seller of any changes in the BTC in writing, usually through an electronic message, and the Seller undertakes to study such amended BTC. Should the Seller fail to demonstrate its express written dissent 10 calendar days before the effective date of such amended BTC, the new wording of the BTC shall become binding for all already existing contractual relations as an amendment to their originally agreed terms and conditions, with effectiveness as of the date specified in the relevant update of the BTC.
3. Upon the termination of effectiveness of the Agreement or the BTC or some of the provisions thereof, all claims related to defects of Goods and rights to claim contractual penalty or indemnification for damage shall continue to exist and survive such termination. Unless agreed otherwise, the Contractual Parties shall be obliged to satisfy everything that they had agreed upon before the termination of the Agreement or the BTC.
4. The Seller must not transfer its obligations and receivables under the Order or Agreement, in full or partially, to a third party, without the previous written consent of the Purchaser.
5. Should any provision of these BTC be or become apparent, invalid or unenforceable, the remaining provisions of these BTC shall continue to exist and shall not be affected in any manner by such apparent invalidity or unenforceability. In the part consisting of such apparent, invalid or unenforceable provision, the relationship between the Purchaser and the Seller shall be governed by the general provisions of the relevant legal rules and regulations.
6. Legal relationships arising from the Agreements or the BTC shall be governed by the laws of the Czech Republic, namely its Civil Code, with the exclusion of The UN Convention on Contracts for the International Sale of Goods (notice of the Ministry of Foreign Affairs No. 160/1991 Coll.).
7. The Purchaser and the Seller shall be obliged to attempt at resolving any and all disputes arising from the Agreements amicably. If a dispute cannot be resolved amicably, it shall be dealt with and decided by a general court of the defendant.
8. These BTC shall enter into effect on 1 March 2014.