

Document comparison by Workshare Professional on 26 July 2013 18:49:24

<b>Input:</b>	
Document 1 ID	interwovenSite://GBDMS/UKMATTERS/51555353/4
Description	#51555353v4<UKMATTERS> - JAT GoS Etihad Transaction Framework Agreement
Document 2 ID	interwovenSite://GBDMS/UKMATTERS/51555353/5
Description	#51555353v5<UKMATTERS> - JAT GoS Etihad Transaction Framework Agreement
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<b>Legend:</b>	
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Style change	
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Padding cell	

<b>Statistics:</b>	
	Count
Insertions	28
Deletions	11
Moved from	0
Moved to	0
Style change	0
Format changed	1
<b>Total changes</b>	<b>40</b>

**DATED**

**2013**

**(1) THE GOVERNMENT OF THE REPUBLIC OF SERBIA**

**- AND -**

**(2) ETIHAD AIRWAYS PJSC**

**- AND -**

**(3) JAT AIRWAYS A.D.**

**TRANSACTION FRAMEWORK  
AGREEMENT**

**THIS TRANSACTION FRAMEWORK AGREEMENT** is made on [●] 2013

**BETWEEN:**

- (1) **THE GOVERNMENT OF THE REPUBLIC OF SERBIA** [●] (the "GoS"); *Please provide!*
- (2) **ETIHAD AIRWAYS PJSC**, a company incorporated in the United Arab Emirates acting through its head office at P.O. Box 35566, Khalifa City A, Abu Dhabi, United Arab Emirates ("Etihad"); and
- (3) **JAT AIRWAYS A.D.**, [●] *a company incorporated in Serbia acting through its head office at Bulevar Umetnosti 16A, Belgrade, Serbia* (the "Company" and/or "JAT"), ~~*Please provide!*~~

(each a "Party" and collectively the "Parties").

**BACKGROUND:**

- A The Company is incorporated as a joint stock company under the laws of Serbia and is wholly owned by the GoS. Etihad is the national airline of the capital of the U.A.E., Abu Dhabi.
- B Etihad proposes to provide funding to the Company in aggregate in the amount of up to US\$100,000,000 (one hundred million US Dollars) on the basis set out in this Agreement.
- C The Parties have agreed to take certain steps to implement the Proposed Transaction and wish to enter into this Agreement to record their respective obligations relating to such matters, and also in respect of the Proposed Transaction itself.

**IT IS AGREED:**

**1. OVERVIEW OF THE PROPOSED TRANSACTION**

- 1.1 This Agreement is agreed in furtherance of the principles underlying the Intergovernmental Agreement on Mutual Incentives and Protection of Investment and the Intergovernmental Agreement on Co-operation entered into between the GoS and the Government of the United Arab Emirates on 17 February 2013 (the "Treaties").
- 1.2 This Agreement sets out the basis of the proposed acquisition by Etihad of an equity stake in JAT and various associated commercial and other arrangements with JAT and/or the GoS, as described in further detail below (the "**Proposed Transaction**") and based on principles set out in the Treaties.
- 1.3 The Parties acknowledge the need for improvement of air transport connections between the capital cities of the Republic of Serbia and the United Arab Emirates, and agree that the availability of direct flights between Belgrade and Abu Dhabi would contribute to co-operation between the two countries, commercial co-operation between JAT and Etihad, and enhanced accessibility of both destinations for consumers.
- 1.4 Against this background, the Parties have in recent weeks co-operated in the launch of a direct flight connection between Belgrade and Abu Dhabi which took effect from 15 June 2013. Furthermore, a code sharing arrangement between JAT and Etihad has already been concluded.

3 Workshare Professional comparison of  
interwovenSite://GBDMS/UKMATTERS/51555353/4 and  
interwovenSite://GBDMS/UKMATTERS/51555353/5. Performed on 26/07/2013.

- 1.5 As part of a proposed strategic co-operation between JAT and Etihad, JAT and Etihad will expand the existing code sharing arrangement between them, to include further code sharing and associated co-operative arrangements, facilitation of allocation of take-off and landing slots at airports in Belgrade and Abu Dhabi, migration of JAT's frequent flyer programme ("FFP") into the Etihad Guest, and joint use of airport lounges.
- 1.6 The Parties will also explore the possibility of co-operation in other areas of mutual interest in order to complement the proposed strategic co-operation between JAT and Etihad, as well as to give effect to the co-operation between the Republic of Serbia and the United Arab Emirates in other fields.
- 1.7 The GoS is focused on ensuring that JAT is a self-sustainable and internationally competitive national airline carrier (which is currently owned solely by the GoS). By concluding the proposed strategic partnership with Etihad, the GoS recognises that JAT will benefit from Etihad's experience and international brand recognition. The GoS recognises, however, that JAT will require the ongoing support of the GoS in relation to JAT's financial fitness, JAT's designation as Serbia's flag carrier, use of JAT air services by employees of the GoS (and the GoS-owned organisations), JAT's commercial relationships with the GoS-owned entities (such as Belgrade Airport) and the creation of a light and line maintenance function, as agreed between the GoS and Etihad, to support the existing and future operation of JAT. The GoS pledges to give all such necessary support to JAT, as described in further detail below.
- 1.8 The Parties agree that the contemplated strategic co-operation set out in this Agreement involves the GoS and Etihad investing in JAT through various channels as set out herein, to restore JAT's short-term and long-term financial stability.
- 1.9 Etihad proposes to provide funding to JAT of up to US\$100,000,000 (one hundred million US Dollars) through a combination of equity, debt and other financial facilities and/or funding arrangements as may be mutually agreed (the "**Total Etihad Investment Amount**").
- 1.10 The GoS's investment in, and ongoing commitment to JAT, will be in the form of grants and undertakings including a combination of equity, debt and other financial facilities and/or funding arrangements as may be mutually agreed.
- 1.11 To help modernise JAT and restore its competitiveness and profitability, the GoS would like to take advantage of Etihad's proven track record in airline management by vesting (through a Management Services Agreement as defined in paragraph 4.1 below) certain key JAT management functions with Etihad for a fixed period of time on the basis that such arrangements will strengthen both JAT and the long term ability of Serbian nationals to manage JAT successfully at all levels.
- 1.12 As part of the contemplated Strategic Plan (as defined in paragraph 4.2 below), JAT will be rebranded/renamed "Air Serbia" (or as otherwise agreed by the Parties). The Parties will jointly work on restructuring and effecting the optimal sizing of the existing JAT network by focusing resources on regional and key European markets. JAT and Etihad will also work together to identify and secure synergies through commercial co-operation (e.g. revenue synergies through code sharing arrangements, and cost synergies through access for JAT to amongst others, Etihad procurement and distribution systems).
- 1.13 With a view to enhancing Abu Dhabi's role as an international hub, the Parties agree that JAT will utilise Etihad's hub at Abu Dhabi airport for air services to the Middle East (including the GCC), Africa, South America, Australasia, the Indian Sub-Continent and Asia.

- 1.14 Etihad will also use its reasonable efforts to facilitate commercial co-operation between JAT and some of its existing commercial partners (e.g. Air Berlin, Air France/KLM, Alitalia, Aer Lingus, Virgin Australia and Air Seychelles), with a view to enhancing the possibility of JAT being able to take advantage of their networks for the Americas and Europe.
- 1.15 The GoS will, on or before Closing (as defined in paragraph 2.1 below), increase the capital of JAT by transferring all of the issued share capital in JAT Katering d.o.o. Surcin ("**Katering**") from the GoS to JAT, so that Katering becomes a wholly owned subsidiary of JAT and/or merge Katering into JAT. To the greatest extent possible, references in this Agreement to the JAT Group and to JAT Group members (as defined in paragraph 2.2 below) shall be deemed to include Katering both prior to and following any such acquisition.
- 1.16 The Proposed Transaction shall reflect the principles set out in this paragraph 1 and shall consist of the elements set out in paragraphs 2 to 12 below, in each case on terms acceptable to Etihad and the GoS. The Parties recognise that some of the arrangements contemplated by this Agreement will need to cater for the fact that, in the future, the Republic of Serbia may accede to the European Union. In practical terms this will mean that provision will need to be made for certain of the activities contemplated by the Parties to be split into two phases, phase 2 being applicable with effect from accession.
- 1.17 This Agreement is intended to create legal relations between the Parties and be binding in nature, but is expressly subject to the conditions specified in paragraphs 13 and 14 below.
- 1.18 In this Agreement any references to "grants" should be construed as followed. The Parties intend that any funding that is provided by the GoS shall be provided by the GoS acting in its capacity as the Government of the Republic of Serbia and not in its capacity as a shareholder of JAT, and shall be effected in such a way as to avoid it being accounted for either as an equity contribution in or as a liability of JAT.

## 2. ETIHAD AND GOS INVESTMENT IN JAT

- 2.1 The Total Etihad Investment Amount will be funded in stages in accordance with the funding schedule set out in Schedule 1 to this Agreement (the "**Funding Schedule**"). The total funding obligation of the GoS (the "**Total GoS Investment Amount**") will be provided in stages in accordance with the Funding Schedule. Certain obligations in this Agreement shall take effect from closing of the Proposed Transaction ("**Closing**") which is subject to prior satisfaction of certain conditions precedent, as specified in paragraph 13 below, and is expected to occur on 1 January 2014 (the "**Closing Date**").
- 2.2 The provision by Etihad and/or the GoS of debt and/or other financing facilities to JAT or members of its group from time to time including SU-PORT d.o.o. Beograd ("**Su-Port**") ("**JAT Group members**" and together with JAT, the "**JAT Group**") will, in each case, be to the extent permitted by law and regulatory constraints, and be effected by one or more loan facilities in amounts to be agreed and secured as fully as possible to Etihad's and the GoS's satisfaction including, for example but without limitation by provision of arm's length security in respect of PDPs, aircraft, engines, airport take-off and landing slots (including purchase/sale and/or leaseback (as may be appropriate)), and/or JAT's FFP.
- 2.3 Within fourteen (14) days from the date of this Agreement, Etihad shall provide a convertible loan facility to JAT in the amount of US\$40 million (the "**Convertible Loan Facility**"). The ~~convertible loan facility~~[Convertible Loan Facility](#) shall be available for drawdown on terms to be agreed between the Parties. Any amounts that have been drawn down under the Convertible Loan Facility shall be secured as fully as possible to Etihad's satisfaction as

lender. All ~~such~~principal amounts that remain outstanding immediately prior to Closing shall be converted into new shares in JAT at Closing (the "**Conversion Shares**").

2.4 Any undrawn balance of the Convertible Loan Facility immediately prior to Closing shall be invested in JAT by way of subscription for new shares in JAT (the "**Subscription Shares**"; together with the Conversion Shares, the "**New Shares**"). Etihad's holding of Conversion Shares and Subscription Shares shall be equal to (but will never exceed) 49% of all issued and outstanding shares in JAT (or such lesser number of shares as may be necessary to take account of regulatory requirements applicable to JAT and on terms to be agreed between Etihad and JAT). Conversion into and subscription for the Shares is subject to prior satisfaction of certain conditions precedent, as specified in paragraph 13 below, and is expected to occur on the Closing Date.

2.5 Without limitation, the GoS undertakes to:

2.5.1 hold JAT (and JAT Group members and Katering) and Etihad harmless in respect of any liabilities that JAT and/or JAT Group members and/or Katering may have, whenever and howsoever arising prior to Closing and whether known to or discovered by Etihad at or prior to the date hereof or at or prior to or following Closing, including (but without any limitation as to amount or type of liability) any existing commercial or financial debt, any costs related to litigation and/or claims against any of JAT, JAT Group members and Katering or any costs related to any element of the restructuring of JAT, it being the Parties' intention that no such liabilities shall be borne by JAT, any JAT Group member, Katering or Etihad in any manner or amount whatsoever;

2.5.2 ensure that any liabilities to Belgrade Airport that JAT may have incurred at any time prior to the Closing Date (including but not limited to liabilities in respect of the Passenger Service Charge (PSC), landing and parking and apron charges, charges for use of airbridges, charges for towing of aircraft, charges for use of office space, lounge space and fast track, and charges for security and insurance), are waived by Belgrade Airport in an amount at least equal to US\$13 million;

2.5.3 provide a loan or grant to JAT or its creditors in such sums and to such timescales as are required, in the event that the sum of the Convertible Loan Facility and the positive value of any liabilities waived in accordance with paragraph 2.5.2 are insufficient to provide JAT with sufficient working capital prior to 31 December 2013;

2.5.4 between the Closing Date and 31 December 2016 (inclusive), fund including by way of grant JAT's working capital requirements/cash shortfall as per the Strategic Plan, in the sum of:

2.5.4.1 US\$14 million in the year ending 31 December 2014;

2.5.4.2 US\$14 million in the year ending 31 December 2015; and

2.5.4.3 US\$14 million in the year ending 31 December 2016,

such funding to be in equal quarterly instalments;

2.5.5 fund by way of grants or, subject to Etihad's prior written approval in each case, by way of reducing operating cash expenses borne by JAT, additional amounts as may be specified in the Strategic Plan in the sum of:

- 2.5.5.1 US\$22 million in the year ending 31 December 2014; and
- 2.5.5.2 US\$18 million in the year ending 31 December 2015,
- such funding to be in equal quarterly instalments, and Etihad undertakes to fund by way of shareholder's loan matching amounts in the same quarters for the sums identified in this paragraph 2.5.5;
- 2.5.6 assume all liability of JAT, any JAT Group members and Katering for stretched creditors, balance creditors, and other liabilities including those incurred in the normal course of trading prior to the Closing Date;
- 2.5.7 be responsible for any liabilities relating to the operation of JAT, any JAT Group members and Katering prior to the Closing Date;
- 2.5.8 fund, and assume all liability for, all existing GoS and commercial loans to JAT, any JAT Group members and Katering existing prior to the Closing Date;
- 2.5.9 fund, and assume all liability for, the cost of all employment-related liabilities, relating to former and/or current employees of JAT, any JAT Group member and/or Katering, including redundancies (including providing reasonable assistance in obtaining the consent of the trade union(s) to any redundancy programme), pension and retirement benefits, including legal costs and outplacement training, and in all cases whether incurred prior to, on or after the Closing Date;
- 2.5.10 fund, and assume all liability for, any costs and liabilities associated with the JAT 1998 purchase contract with Airbus, in relation to which Etihad shall seek to assist JAT and/or the GoS in any discussions/negotiations that JAT and/or the GoS may have with Airbus with a view to reducing JAT's exposure to such costs or liabilities. For the avoidance of doubt, if at any time while the Management Services Agreement is in force, JAT and Airbus reach an agreement to purchase aircraft under the terms and conditions of the 1998 purchase contract then the GoS shall not be liable for the purchase price for any such aircraft;
- 2.5.11 fund, and assume all liability for, any and all costs and liabilities associated with the re-delivery of any engines or aircraft under any existing lease agreement entered into prior to the Closing Date;
- 2.5.12 fund, and assume all liability for, any costs and liabilities associated with any adverse tax consequences whether arising prior to or following the Closing Date as a result of the Proposed Transaction or any restructuring of JAT, any JAT Group members and/or of Katering, including the ability of any such entity to carry forward any tax losses which can be offset against future profitability; and
- 2.5.13 exercise all rights and powers available to it with a view to procuring that, except with the prior written consent of Etihad, neither JAT nor any JAT Group member nor Katering shall make any unusual or onerous decisions which will affect its day-to-day business.

The GoS acknowledges and agrees that Etihad is entering into this Agreement in reliance on the GoS's undertakings set out in this paragraph 2.

- 2.6 The Parties agree that the funding provided by the Parties prior to Closing (in the form of the Convertible Loan Facility and grants from the GoS) may, among other purposes, be used for funding engine and aircraft lease deposits that may be effected between the date of this Agreement and the Closing Date.
- 2.7 If JAT requires any additional funding after the Closing Date over and above the sum of the Total GoS Investment Amount and the Total Etihad Investment Amount, the ability of the GoS and/or Etihad to provide such funding will be subject to any requisite approvals first having been obtained, and (subject to such approvals) the GoS and Etihad agree that it is intended that any such further funding shall be made by them in proportion to their shareholdings in JAT.

### **3. JAT BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

- 3.1 With effect from closing of the Investment Agreement, Etihad will be entitled to:
- 3.1.1 nominate four (4) of the nine (9) members to the Board of Directors of JAT one of whom shall be the Vice-Chairman;
- 3.1.2 be satisfied that the level of corporate governance that shall apply to JAT is commensurate to its shareholding and in accordance with applicable laws; and
- 3.1.3 representation that is commensurate with the size of its shareholding on all Board (and management) committees including, without limitation, the Audit Committee (the chairman of which shall be nominated by Etihad), the Nomination Committee, the Remuneration and Compensation Committee, and/or any equivalent or analogous committees of JAT.
- 3.2 With effect from closing of the Investment Agreement, the GoS will be entitled to nominate five (5) of the nine (9) members of the Board of Directors of JAT, one of whom shall be the Chairman. The GoS shall also be entitled to be satisfied that the level of corporate governance that shall apply to JAT is commensurate to its shareholding and in accordance with applicable laws.
- 3.3 On or before 1 January 2014, the Parties will agree a robust corporate governance regime which will include, but not be limited to, a manual of authority (the "**Manual of Authority**") which shall contain:
- 3.3.1 policies dealing with, amongst other matters, authority levels for employees and senior executives (including the Board of Directors of JAT); and
- 3.3.2 a business ethics policy and code of conduct.
- 3.4 With effect from the date on which the Management Services Agreement is executed and ending on the Closing Date, Etihad shall be entitled to have one person present as an observer at all General Meetings of JAT and all meetings of the Board of Directors of JAT and meetings of all such Board (and management) committees as are contemplated in paragraph 3.1.3 above, with the same rights of participation and access to information as all other persons entitled to attend such meetings, except that the Etihad-nominated observer shall not have any right to vote on any resolution.

### **4. MANAGEMENT OF JAT**



4.1 As soon as possible and no later than fourteen (14) days from the date of this Agreement, the Parties shall enter into a management services agreement in respect of the JAT Group and equivalent arrangements in respect of Katering ("**Management Services Agreement**"). The GoS wishes to enter into the Management Services Agreement:

4.1.1 in recognition of, and in order to secure for JAT the benefit of, Etihad's experience and airline management expertise; and

4.1.2 to obtain for JAT the benefit of synergies between the business of JAT and the business of Etihad,

in order to restructure and turnaround JAT and re-launch it under a new name/brand, namely, "Air Serbia" (or as otherwise agreed by the Parties). The GoS acknowledges that Etihad has provided a draft Management Services Agreement to the GoS and that it is of fundamental importance to Etihad that the Management Services Agreement be entered into substantially in the form provided.

4.2 Etihad's management power and authority shall include full power of oversight in relation to implementation of an initial three-year strategic business plan attached hereto and initialled by each Party for the purposes of identification (the "**Strategic Plan**"). This Strategic Plan shall be presented by JAT's management team and be subject to Etihad's prior approval (inclusive of any amendments that Etihad may require thereto) in advance of it being presented to the Board of JAT and the GoS for their formal approvals before the Management Services Agreement comes into full effect, and subsequent implementation.

## **5. ETIHAD/JAT COMMERCIAL CO-OPERATION**

5.1 All co-operation between JAT and Etihad shall, unless agreed otherwise, be non-exclusive and shall not preclude Etihad or JAT from entering into or maintaining existing relationships with other carriers.

5.2 Following Closing, Etihad shall use reasonable endeavours to use its relationships with third party vendors and service providers to obtain for the benefit of JAT, goods and services that JAT requires on terms that are more favourable than would be the case if JAT procured such goods and services from the market on a "stand-alone" basis.

## **6. KETERING AND SU-PORT**

6.1 The GoS will, on or before Closing, increase the capital of JAT by transferring all of the issued share capital in Katering from the GoS to JAT, so that Katering becomes a wholly owned subsidiary of JAT and/or merge Katering into JAT.

6.2 The GoS and Etihad shall each fund 50% of the cost of upgrades and enhancements to Katering's capabilities subject to an overall limit of US\$10.1 million in aggregate, to the extent and on the basis contemplated in the Strategic Plan.

6.3 In addition, the GoS and Etihad shall each fund 50% of the cost of upgrades and enhancements to Su-Port's capabilities subject to an overall limit of US\$4 million in aggregate, to the extent and on the basis contemplated in the Strategic Plan.

## **7. PROCUREMENT**

7.1 The Parties agree that:

- 7.1.1 all contractual arrangements between JAT, any JAT Group member and any entity or business that is owned or controlled by the GoS (including where applicable Katering) shall be on an arm's length basis and no less favourable to JAT or such JAT Group member than those applicable to third party airlines with whom such entities or businesses have contracts to supply services of the type they currently supply to JAT or any JAT Group member and that such contractual arrangements will be in line with common market practice in Europe; and
- 7.1.2 JAT and all JAT Group members are free to invite any third party suppliers of such services to tender to provide the same and none of them shall be required to enter into contracts for the supply of any such services with any such GoS-owned or controlled entities or businesses.

## **8. PROVISION OF ONGOING SUPPORT BY THE GOS TO JAT**

### **8.1 Bilateral air services agreements between Serbia and third countries ("ASAs")**

During the term of the Management Services Agreement, the GoS shall:

- 8.1.1 ensure that the route and frequencies being utilised by JAT under all existing ASAs shall continue to be made available to JAT;
- 8.1.2 ensure the perfection of any defects in any of the ASAs before Closing;
- 8.1.3 ensure that JAT remains the only airline designated by the GoS under all existing ASAs to operate international air services to/from points in Serbia;
- 8.1.4 implement (so far as permitted by each existing ASA) any JAT request:
  - 8.1.4.1 concerning additional routes or frequencies for JAT;
  - 8.1.4.2 concerning fares; and
  - 8.1.4.3 for permission for Etihad to code share on air services operated by JAT;
- 8.1.5 ensure that any request or proposal made by JAT to amend existing ASAs, or conclude new ASAs is taken account of when such ASAs are enacted; and
- 8.1.6 use its reasonable endeavours through ASAs (and all other reasonably available channels) to assist JAT in securing allocation to it of take-off and landing slots at airports outside Serbia with effect from the start of the Winter season 2013/14 for its actual and projected network.

### **8.2 Belgrade Airport**

- 8.2.1 The GoS shall ensure, so far as it is able to do so (without depriving other airlines from take-off and landing slots allocated to them to which they have historical precedence), that sufficient take-off and landing slots are available at Belgrade Airport with effect from the start of the Winter season 2013/14 for JAT to operate its actual and projected air services.

- 8.2.2 The GoS shall ensure that either Terminal 1 or Terminal 2 of Belgrade Airport as the Parties may agree, is allocated to JAT for its exclusive use by no later than 1 January 2014.
- 8.2.3 The GoS shall fund a portion of the costs of refurbishment of Terminal 1 or Terminal 2, as the case may be, to a standard acceptable to JAT within 2 years of the date hereof, that is proportionate to the size of its shareholding in JAT after completion of Etihad's acquisition of JAT shares.
- 8.2.4 The GoS shall ensure that space for a JAT lounge is allocated to JAT in Terminal 1 or Terminal 2 as the case may be, with sufficient capacity to meet its actual and projected business passenger requirements.
- 8.2.5 The GoS shall ensure that terminal and parking capacity at Belgrade Airport is always more than adequate to cope with actual and projected demand for JAT's passenger services.
- 8.2.6 The GoS shall ensure that JAT is granted all necessary licenses and authorisations to carry out above and below wing ground-handling operations for itself, Etihad, any Etihad partner airline and any third party airline flying to Belgrade Airport in fair competition to Belgrade Airport or any concessionary granted by the GoS for the running of operations at Belgrade Airport. Further, the GoS may consider the transfer to Su-Port of assets, personnel and contracts which it considers appropriate.
- 8.2.7 The GoS shall ensure that JAT is granted all necessary licenses and authorisations to carry out cargo-handling operations for itself, Etihad, any Etihad partner airline and any third party airline flying to Belgrade Airport in fair competition to Belgrade Airport or any concessionary granted by the GoS for the running of operations at Belgrade Airport. Further the GoS shall ensure that JAT is allocated sufficient space at Belgrade Airport to enable it to carry out cargo handling operations as contemplated by this paragraph 8.2.7.
- 8.2.8 By way of reflecting JAT's much greater use of Belgrade Airport than any other carrier, the GoS shall ensure that during the term of the Management Services Agreement:
- 8.2.8.1 the terms on which JAT uses Belgrade Airport (including but not limited to the Passenger Service Charge (PSC), landing and parking and apron charges, charges for use of airbridges, charges for towing of aircraft, charges for use of office space, lounge space and fast track, and charges for security and insurance) are no less favourable than those offered to any other carrier;
- 8.2.8.2 a volume discount which shall be the greater of the following:
- (a) any such discount that has been approved (whether now or in the future) to any airline company by Belgrade Airport;
- (b) 50% on standard charges imposed by Belgrade Airport; and
- 8.2.8.3 any financial incentive offered to a third party airline is equally available to JAT,

and the Parties agree that any of the above stated discounts as may be agreed between JAT and Belgrade Airport during the term of the Management Services Agreement, that are additional to the contractual fees and discounts that are in existence on the date on which the Management Services Agreement is executed (e.g. for illustrative purposes, any discount that is additional to the existing PSC discount of US\$4.50 per passenger), will be treated as a reduction of operating cash expenses for the purposes of paragraphs 2.5.4 and 2.5.5. Within four weeks of the end of each quarter (the first such quarter ending on 31 March 2014), there shall be identified all reductions in the Company's expenses that were achieved during that quarter as a direct result of actions taken by the GoS pursuant to its obligations in this paragraph 8.2, and the actual net value of such reductions for that quarter shall reduce the GoS's obligations under paragraphs 2.5.4 and 2.5.5 to provide funding in relation to that quarter. The same exercise shall be repeated in relation to the next eleven quarters ending 31 December 2016. If, in respect of any quarter, the actual net value of any reductions in the Company's expenses exceeds the amount of funding that the GoS was due to provide, the surplus shall reduce the required level of funding in the remaining quarters ending 31 December 2016 by an equal amount for each remaining quarter.

### 8.3 The GoS travel policy

8.3.1 The GoS shall enter into a travel services agreement with a wholly owned subsidiary of JAT, to be incorporated by no later than 1 January 2014, which will (to the fullest extent possible under applicable Law) manage all bookings for employees of the GoS (and its owned entities) for all air travel connected to the official business of the GoS and/or its owned entities. The GoS also agrees to use its best endeavours to ensure that its subcontractors manage all their bookings through the newly incorporated wholly owned subsidiary of JAT. The GoS further agrees and undertakes to ensure that in respect of all such travel arrangements, settlement shall only be effected through the Etihad Payplan facility.

8.3.2 For the duration of the term of the Management Services Agreement, the GoS shall use its best efforts, including by directing them to do so, to ensure that all employees of the GoS (and its owned entities and subcontractors) who are travelling in connection with the official business of the GoS or such entities, shall utilise:

8.3.2.1 the air services of JAT when travelling to or from points in Serbia (even if this involves interlining to reach a final destination not served by JAT); and

8.3.2.2 the wholly owned subsidiary (established pursuant to paragraph 8.3.1 above) for bookings for all such travel.

### 8.4 Naftna Industrija Srbije ("NIS")

Even though NIS is not wholly owned by the GoS, the GoS shall use its best endeavours to exercise its influence over NIS for the purpose of:

8.4.1 improving the commercial terms on which JAT can buy jet fuel from NIS and, particularly, for the purpose of ensuring that such terms are no less favourable than those offered by NIS to any other airline; and

8.4.2 securing an appropriate volume discount of not less than 50% for the into-plane differential charged by NIS to JAT on the purchase of jet fuel by way of reflecting JAT's much greater use of NIS than any other airline and the expected significant increase in volumes going forward and, to the extent that such discount is not so made available, to fund the difference between such discount and the actual discount that is enjoyed by JAT,

and the Parties agree that any of the discounts referred to in this paragraph 8.4 that may be agreed between JAT and NIS, or funds provided by GoS pursuant to paragraph 8.4.2 at any time while the Management Services Agreement is in force, that are in addition to the contractual fees and discounts in existence on the date on which the Management Services Agreement is executed, will be treated as a reduction of operating cash expenses for the purposes of paragraph 2.5.5. On each of the first three anniversaries of the date on which the Management Services Agreement is executed, there shall be identified all reductions in prices of NIS services that are achieved as a direct result of actions taken by the GoS pursuant to its obligations in this paragraph 8.4, and the actual annualised net value of such reductions shall reduce the GoS's obligations under paragraphs 2.5.4 and 2.5.5. Within four weeks of the end of each quarter (the first such quarter ending on 31 March 2014), there shall be identified all reductions in prices of NIS services that were achieved during that quarter as a direct result of actions taken by the GoS pursuant to its obligations in this paragraph 8.4, and the actual net value of such reductions in prices for that quarter shall reduce the GoS's obligations under paragraphs 2.5.4 and 2.5.5 to provide funding in relation to that quarter. The same exercise shall be repeated in relation to the next eleven quarters ending 31 December 2016. If, in respect of any quarter, the actual net value of any reductions in the Company's expenses exceeds the amount of funding that the GoS was due to provide, the surplus shall reduce the required level of funding in the remaining quarters ending 31 December 2016 by an equal amount for each remaining quarter.

#### 8.5 Slots

With reference to paragraph 8.1.6 above, the GoS recognises that there may be instances where take-off and landing slots are required by JAT at airports outside Serbia to implement its network plan are unavailable because of congestion/scarcie capacity, but that it may be possible for such take-off and landing slots to be obtained from third party airlines by means of slot purchase or lease mechanisms. The GoS shall assist JAT in the acquisition of required take-off and landing slots through such mechanisms by providing the necessary funding by means of loans to JAT. Any funding of slots by the GoS under this paragraph 8.5 shall ~~not~~ increase but shall go towards discharging the GoS's funding obligations ~~under this Agreement~~. [set out in paragraph 2.1.](#)

#### 8.6 Serbian aviation policy

The GoS shall develop, and put in place by 1 January 2014, a new aviation policy framework to promote the sound development of civil aviation in the Republic of Serbia and, particularly, to better enable airlines to provide air transport services which satisfy all substantial categories of public demand at the lowest charges consistent with a high standard of safety in operating such services while at the same time being able to secure an economic return on the sums invested in providing such services when they are run efficiently.

#### 8.7 Regulatory approvals

The obligations of the GoS to provide the assistance and support that is contemplated by this paragraph 8 is subject to applicable law. The Parties recognise that some elements may not be permissible or may only be permissible with regulatory approvals. In the event that any

obligation to provide such assistance and support is not permissible by reason of applicable law, this paragraph 8 shall apply as if the obligation to provide such assistance and support had been excised from this paragraph 8.

If and to the extent that any element of the assistance and support that is contemplated by this paragraph 8 requires regulatory approval before it can be implemented (or in order for it to continue to be implemented throughout the time frame contemplated by the Parties), the GoS and JAT shall use their best endeavours to obtain and maintain such approvals, failing which the relevant activity shall not be conducted at the relevant time(s).

#### **8.8 Light and line maintenance**

The GoS shall provide the assistance and support required to allow JAT to create capability to perform light and line maintenance for its existing and future operations including the provision of land air-side at Belgrade Airport with permissions to build and operate on that land its maintenance facility, and assistance with obtaining any licenses from Belgrade Airport, the Civil Aviation Directorate of the Republic of Serbia and/or any other competent authorities. In addition, the GoS and Etihad shall each fund 50% of the cost of upgrades and enhancements to JAT's light and line maintenance capabilities subject to an overall limit of US\$26 million in aggregate, to the extent and on the basis contemplated in the Strategic Plan, including without limitation, new tooling and certification.

#### **8.9 Non-Serbian Nationals**

The GoS shall procure so far as it is able, the provision of residency and work permits and any other similar permits, consents or approvals required with regard to Non-Serbian Nationals seconded or appointed by Etihad and shall otherwise provide any required assistance and support with regards to the same.

### **9. IFRS COMPLIANCE**

The GoS agrees to appoint KPMG to perform a full IFRS compliant audit of financial statements of JAT, Su-Port and Katering, each to be finalised prior to Closing. All such pre-Closing annual financial statements shall be adjusted to ensure that they are fully compliant with IFRS accounting principles.

### **10. SHARE CAPITAL REDUCTION**

The GoS shall take all necessary steps and obtain all necessary approvals and agreements to ensure that the share capital of any company in which Etihad may invest, including JAT, Su-Port and Katering, reflects the fair values of such companies. All such actions shall be effected in time to facilitate such investments by Etihad in accordance with the timings that are set out in this Agreement and as may otherwise be agreed.

### **11. CONTRACTS**

The Parties agree that JAT shall award Etihad, in its capacity as a training services provider, one or more contracts on terms to be agreed for the supply of training services to JAT, with effect from the start of the term of the Management Services Agreement, on arm's length terms.

### **12. JAT EMPLOYEE MATTERS**

- 12.1 As part of any re-deployment plan agreed in accordance with the principles set out in the Strategic Plan, Etihad agrees in principle to consider any suitably qualified JAT pilots and cabin crew for employment with Etihad, based in Abu Dhabi.
- 12.2 Etihad will include up to six (6) eligible airline candidates who may or may not be existing employees of JAT in its Graduate Training Programme (the "**Graduates**") and facilitate the secondment of key junior JAT airline managers into positions at Etihad head office and/or outstations to provide them with wider airline management experience, before returning to JAT. At Etihad's option, the Graduates may be offered full-time employment with Etihad in Abu Dhabi or be employed by Etihad as JAT representatives.
- 12.3 Etihad will use its best efforts to identify and/or develop Serbian nationals, including those approved by the GoS, for key positions within JAT. Before expiry of the term of the Management Services Agreement, Etihad will seek to identify competent Serbian nationals as candidates for the positions of Chief Executive Officer and Chief Financial Officer within JAT, and in each case such appointments shall be subject to majority approval by the Board of Directors of JAT.

### **13. CONDITIONS PRECEDENT**

- 13.1 The Proposed Transaction will be conditional on, inter alia:
- 13.1.1 completion by Etihad to its satisfaction of the full due diligence specified in paragraph 14.1 below;
  - 13.1.2 completion by the GoS of the transfer and/or merger of Katering as contemplated by paragraph 6.1 above;
  - 13.1.3 Etihad being satisfied as to the level of progress that has been achieved in relation to JAT's light and line maintenance capability as contemplated by paragraph 8.8 above, by no later than 31 December 2013;
  - 13.1.4 Etihad being satisfied as to JAT's and Etihad's respective abilities to realise the required commercial synergies arising from the Proposed Transaction;
  - 13.1.5 a closing audit being carried out by KPMG in accordance with IFRS up to or as at 31 December 2013 as contemplated in paragraph 9 above;
  - 13.1.6 satisfactory terms being agreed by Etihad in relation to those contracts necessary to put into effect the terms of this Agreement and the Proposed Transaction such documents (together the "**Transaction Documents**") to include:
    - 13.1.6.1 an Investment Agreement;
    - 13.1.6.2 a Shareholder Agreement;
    - 13.1.6.3 a Management Services Agreement;
    - 13.1.6.4 a Convertible Loan Facility Agreement;
    - 13.1.6.5 separate agreements relating to the long term commercial arrangements between JAT and each of Belgrade Airport, NIS and Tehnika;

- 13.1.6.6 an Agreement for the Provision of Grants to JAT by the GoS;
- 13.1.6.7 a Training Agreement;
- 13.1.6.8 a Travel Services Agreement; and
- 13.1.6.9 migration of the FFP to Etihad Guest;
- 13.1.7 authorisation to enter into the Transaction Documents by the Board of Directors of Etihad and, if required, any approvals of the Government of Abu Dhabi;
- 13.1.8 satisfaction of any conditions to Closing which are to be included in the Transaction Documents, including any requisite governmental and/or parliamentary approvals;
- 13.1.9 receipt (to Etihad's satisfaction) by 31 December 2013 of all requisite regulatory approvals and clearances (in Serbia and all other relevant jurisdictions) necessary for the full implementation of the terms of the Transaction Documents, and in relation to the provision by Etihad of any other funding agreed by Etihad;
- 13.1.10 all necessary competition and/or other approvals and clearances being obtained;
- 13.1.11 no Material Adverse Event (as defined in paragraph 15.4 below) arising;
- 13.1.12 Etihad being granted a licence permitting it to undertake airport catering, and a licence to undertake airport handling, and airport cargo handling and to provide maintenance services at Belgrade Airport;
- 13.1.13 satisfaction by the GoS of all of its funding obligations as the same may fall due to be performed before Closing;
- 13.1.14 completion of a reduction of share capital by JAT and as otherwise required pursuant to paragraph 10 above, by 31 December 2013 (solely at the GoS's cost); and
- 13.1.15 incorporation of the wholly owned subsidiary contemplated in paragraph 8.3.1.
- 13.2 The Transaction Documents will include investor protections that Etihad deems customary including, but not limited to, appropriate representations, warranties and indemnification from each of JAT and the GoS to Etihad, and a mechanism by which the achievement of certain key performance indicators is linked to certain economic features of the structure that is adopted for implementation of the Proposed Transaction.
- 13.3 If any of the provisions of this Agreement at any time conflict with any of the provisions of the Transaction Documents then the provisions of the Transaction Documents shall prevail.

#### **14. PROCESS TO SIGNING OF TRANSACTION DOCUMENTS**

- 14.1 To facilitate joint resolution of an appropriate structure and an appropriate time period in which to effect the Proposed Transaction, Etihad requires access to further information and wider engagement with the GoS and JAT, as follows:
  - 14.1.1 continuing access to a virtual data room in relation to JAT and Su-Port (and separately Katering) to Etihad and its advisors, with all due diligence information



- to be included in such data room as soon as possible, and replies to initial enquiries being provided without delay and no later than 1 August 2013;
- 14.1.2 access being granted to appropriate personnel of and documentation relating to JAT, Su-Port and Katering;
- 14.1.3 access being granted to, and full co-operation from, appropriate senior officials within the Civil Aviation Directorate of the Republic of Serbia in relation to all relevant aviation regulatory matters including, but not limited to, licensing of JAT, implementation by Serbia of the agreement establishing the European Common Aviation Area, and ASAs; and
- 14.1.4 financial, legal and commercial due diligence enquiries to be completed without delay and no later than 1 August 2013, (subject to the completeness of the virtual data room and access to JAT, Su-Port and Katering personnel in accordance with paragraphs 14.1.1 and 14.1.2 above).
- 14.2 Etihad and/or its advisors shall circulate as soon as possible such Transaction Documents as have not yet been circulated as at the date of this Agreement.
- 14.3 The other Transaction Documents shall be circulated and/or executed in accordance with Schedule 2.
- 14.4 Subject to the signature date of the Transaction Documents and the required receipt of regulatory and other approvals, Closing is anticipated by 1 January 2014.
- 14.5 Etihad has engaged advisors to facilitate giving effect to the Proposed Transaction, including DLA Piper and Samardzic Law Office as legal advisors and PricewaterhouseCoopers as reporting accountants.
- 14.6 The GoS has engaged Karanovic Nikolic as its legal advisors in connection with the Proposed Transaction.
15. **TERMINATION**
- 15.1 This Agreement shall terminate automatically if:
- 15.1.1 Closing does not take place on or before 1 January 2014 or such later date as may be agreed by the GoS and Etihad; or
- 15.1.2 the Management Services Agreement is terminated at any time.
- 15.2 If, during the period following execution of this Agreement and 1 January 2014 (being the anticipated Closing Date), Etihad is not fully satisfied with the results of its commercial, financial, legal and forensic due diligence, Etihad shall be entitled to terminate by notice all discussions regarding the Proposed Transaction, and not enter into any strategic partnership with JAT, whereupon the Management Services Agreement shall be terminable by Etihad or the GoS on no less than 90 days' written notice.
- 15.3 If during the period following execution of this Agreement and Closing, the key performance indicators are not achieved, Etihad shall be entitled to terminate all discussions regarding the Proposed Transaction, and not enter into any strategic partnership with JAT, whereupon the Management Services Agreement shall be terminable by Etihad or the GoS on no less than 90 days' written notice.

- 15.4 For the purposes of this paragraph 15.4, "**Company**" means Etihad in the case of termination by the GoS and means JAT in the case of termination by Etihad and "**Material Adverse Event**" means:
- 15.4.1 an administrator, liquidator, receiver or manager (or similar) having been appointed pursuant to any legal proceedings in respect of the Company and/or over all or any of its assets or steps having been taken to initiate such an appointment;
  - 15.4.2 a petition for a winding-up or other insolvency proceedings of the Company having been properly filed and not discharged;
  - 15.4.3 the Company having ceased its operations as a result of the direction or action of any governmental and/or regulatory authority and/or judicial body;
  - 15.4.4 litigation being commenced against the Company which could give rise to a liability in excess of US\$10 million or have an adverse impact on the commercial arrangements to be entered into between the Parties pursuant to this Agreement; and
  - 15.4.5 any event or circumstance which, in the reasonable opinion of Etihad is (individually or in the aggregate) reasonably likely to adversely affect the business, operations, property, assets or condition (financial or otherwise) of the Company in any material respect.
- 15.5 Upon termination of this Agreement in accordance with its terms:
- 15.5.1 this Agreement (other than the provisions relating to confidentiality, publicity, governing law and arbitration) shall cease to have any effect from the date of termination; and
  - 15.5.2 no Party shall have any claim against any other Party (except for accrued rights arising from any earlier breach of this Agreement or under the provisions relating to confidentiality, publicity, governing law and arbitration).

## 16. CONFIDENTIALITY AND PUBLICITY

- 16.1 Each Party will keep this Agreement and the matters referred to herein confidential before, during and after the negotiation phase and finalising of the documentation referred to herein except:
- 16.1.1 as required by law or pursuant to any order of a court or other competent authority or tribunal;
  - 16.1.2 as required by law or requested by a relevant authority or deemed necessary for the purpose of making the necessary regulatory submissions to obtain approvals or deemed consents to the Proposed Transaction or any related agreement; and/or
  - 16.1.3 when made to its affiliates and/or its professional advisers who are bound to such Party by a duty of confidence which applies to any information disclosed. If a Party is required, in circumstances contemplated by paragraph 16.1.1 to disclose any information, the disclosing Party will use its reasonable endeavours to consult with the other Parties prior to any such disclosure and will only disclose to the minimum extent necessary to comply with its obligations.

- 16.2 Neither Party will make any public announcement with respect to the Proposed Transaction without the prior written consent of the other Party, unless required to do so by applicable law.
- 16.3 If during the period following execution of this Agreement and Closing, the GoS and/or JAT have breached any of the confidentiality provisions set out at paragraphs 16.1 and 16.2 above, Etihad shall be entitled to terminate all discussions regarding the Proposed Transaction, and not enter into any strategic partnership with JAT, whereupon the Management Services Agreement shall be terminable by any Party thereto on no less than thirty (30) days' written notice.

## 17. GOVERNING LAW AND ARBITRATION

- 17.1 This Agreement ~~will be governed by the laws of England and Wales, and any non-contractual obligations arising out of or in connection with this Agreement shall be governed by and interpreted in accordance with English law.~~
- 17.2 Any dispute or differences arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, and all contractual and non-contractual claims arising out of or in connection with this Agreement shall be referred to and finally resolved by arbitration under the London Court of International Arbitration Rules ("LCIA Rules"), which LCIA Rules are deemed to be incorporated by reference into this clause.
- 17.3 The number of arbitrators shall be three, of which one arbitrator shall be appointed by Etihad, one arbitrator shall be appointed collectively by the GoS and the Company and the third arbitrator shall be appointed jointly by the two arbitrators so appointed.
- 17.4 The seat, or legal place, of arbitration shall be London.
- ~~17.5 17.2 Any disputes arising from or in connection with this Agreement will be finally settled in accordance with the LCIA Arbitration Rules. The place of arbitration will be London where the award will be made. The arbitral panel will consist of three arbitrators. The language to be used in the arbitration proceedings will shall be English. The confidentiality undertakings in this letter will apply equally to the arbitral proceedings and the award save that a Party will in no way be prevented from disclosing such information in order to safeguard in the best possible way its rights vis à vis the other Party in connection with the dispute. arbitral proceedings shall be held in camera with full confidentiality of the proceedings and of any and all materials, documents and information submitted in such proceedings.~~
- 17.6 The arbitration awards shall be reasoned awards and shall be final and binding on the disputing parties. The existence or subsistence of a dispute between parties, or the commencement or continuation of arbitration proceedings, shall not, in any manner, prevent or postpone the performance of those obligations of the parties under the Agreement which are not in dispute, and the arbitrators shall give due consideration to such performance, if any, in making a final award.
- 17.7 In addition, in connection with any dispute or claim, Etihad shall have the right, in its sole discretion, to apply to the courts of Serbia for interim or other relief to protect or enforce its rights under this Agreement pending the commencement of an arbitration and/or the appointment of any arbitral tribunal and any such order of the Serbian courts shall remain in full force and effect unless and until substituted by an order of the arbitral tribunal pursuant to LCIA Rule 25 (or such LCIA Rule as may replace it from time to time) and/or the order of the

Serbian courts has been varied or withdrawn by those courts upon the application of one of the parties to the dispute or claim.

17.8 The parties hereto acknowledge that monetary damages for breach of the terms of this Agreement may not be an adequate remedy and that any party hereto may be entitled to equitable remedies, including injunctive relief and specific performance.

17.9 The GoS irrevocably:

17.9.1 consents generally in accordance with the State Immunity Act 1978 to relief being given against it in England or any other jurisdiction by way of injunction or order for specific performance or for the recovery of any property whatsoever or other provisional or protective measures and to its property being subject to any process for the enforcement of a judgement or any process effected in the course or as a result of any action in rem; and

17.9.2 waives and agrees not to claim any immunity from suits and proceedings (including actions in rem) in England or any other jurisdiction and from all forms of execution, enforcement or attachment to which it or its property is now or may hereafter become entitled under the laws of any jurisdiction and declares that such waiver shall be effective to the fullest extent permitted by such laws, and in particular the United States Foreign Sovereign Immunities Act of 1976.

## **18. MISCELLANEOUS**

- 18.1 Any notice provided to either Party in connection with this Agreement should be in writing, in English and sent to the address of the relevant Party in this Agreement, or such other address as notified by the relevant Party, or such other address as notified by the relevant Party in writing from time to time.
- 18.2 This Agreement and the documents and agreements referred to in it set out the entire agreement and understanding between the Parties with respect to the subject matter of it. No Party has relied or has been induced to enter into this Agreement in reliance on any representation, warranty or undertaking which is not expressly set out or referred to in this Agreement. No provision of this Agreement excludes liability for fraud including without limitation, fraudulent misrepresentation.
- 18.3 Nothing in this Agreement (or any of the arrangements contemplated by it) is or shall be deemed to constitute a partnership between the Parties nor, except as may be expressly set out in it, constitute any Party being the agent of the other for any purpose.
- 18.4 No waiver by a Party of a failure by any other Party to perform any provision of this Agreement operates or is to be construed as a waiver in respect of any other failure whether of a like or different character.
- 18.5 Each of the Parties shall pay its own costs, charges and expenses (including taxation) incurred in connection with negotiating, preparing and implementing this Agreement and the matters and transactions contemplated by it.
- 18.6 No Party will claim any modification or revision of any term hereof unless such modification or revision is made in writing, signed by all Parties and specifically states that it constitutes an amendment to this Agreement.

- 18.7 Any person other than a JAT Group member who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.
- 18.8 This Agreement may be executed in any number of counterparts, each of which will, when executed and delivered, be an original and all counterparts will together constitute one and the same instrument. This Agreement is not effective until both Parties have executed a counterpart.
- 18.9 If any term or provision in this Agreement shall in whole or in part be held to any extent to be illegal or unenforceable under any enactment or rule of law then that term or provision or part shall to that extent be deemed not to form part of this Agreement and the enforceability or the remainder of this Agreement shall not be affected. In the event of such deletion the Parties shall negotiate in good faith in order to agree the terms of a mutually acceptable and satisfactory alternative provision in place of the provision so deleted.
- 18.10 If Etihad decides in its discretion that the effect of the illegality or unenforceability defeats the original intention of the Parties then, without prejudice to any other rights it may have, Etihad shall be entitled to: (a) suspend its performance of its obligations under this Agreement, or (b) terminate this Agreement on thirty (30) days written notice to the GoS and JAT.

**Schedule 1 - Funding Schedule**

	<b>Funding</b>	<b>Amount US\$m</b>	<b>Party</b>	<b>Due date/period</b>	<b>Paragraph</b>
1.	Convertible Loan Facility	40 (see note)	Etihad	within 14 days of the date of this Agreement	2.3
2.	Conversion of borrowings under CLF/subscription of balance of US\$40m	40 (see note)	Etihad	at Closing, see note	2.4
<b>Note: sum of funding from Etihad under 1 and 2 is US\$40m</b>					
3.	Waiver of liabilities to Belgrade Airport	13	GoS	during five months ending 31/12/2013	2.5.2
4.	Loan or grant	not known	GoS	during five months ending 31/12/2013	2.5.3
5.	Grant	14	GoS	phased during 2014	2.5.4.1
6.	Grant	14	GoS	phased during 2015	2.5.4.2
7.	Grant	14	GoS	phased during 2016	2.5.4.3
8.	Grant or reduction in operating expenses	22	GoS	phased during 2014	2.5.5.1
9.	Grant or reduction in operating expenses	18	GoS	phased during 2015	2.5.5.2
10.	Shareholder Loan	22	Etihad	phased during 2014	2.5.5
11.	Shareholder Loan	18	Etihad	phased during 2015	2.5.5
12.	Restructuring costs	not known	GoS	31/12/2013	2.5.9
13.	Shareholder Loan (Ketering)	5	GoS	as and when required	6.2
14.	Shareholder Loan (Ketering)	5	Etihad	as and when required	6.2
15.	Shareholder Loan (Su-Port)	2	GoS	as and when required	6.3
16.	Shareholder Loan (Su-Port)	2	Etihad	as and when required	6.3
17.	Shareholder Loan (L&L Maintenance)	13	GoS	as and when required	8.8
18.	Shareholder Loan (L&L Maintenance)	13	Etihad	as and when required	8.8
19.	Other potential obligations	not known	GoS	as specified in the relevant paragraph	2.5.1 2.5.6 to 2.5.8, 2.5.10 to 2.5.13, 8.2.3, and 8.4.2

**Schedule 2**

		<b>To be executed on 1 August 2013</b>	<b>To be executed, so as to be effective, by Closing</b>
1.	This Agreement	x	
2.	Management Services Agreement	x	
3.	Investment Agreement	x	
4.	Shareholder Agreement	x	
5.	Consultancy Agreement	x	
6.	Term Sheet: Bridging Loan Facility	x	
7.	Term Sheet: Term Loan	x	
8.	Bridging Loan Facility Agreement		x
9.	Commercial Agreements: a. Belgrade Airport b. NIS c. Tehnika		x
10.	Grants		x
11.	Training Agreement		x
12.	Travel Services Agreement		x
13.	Frequent Flyer Migration Agreement		x

Signed by the Parties or their duly authorised representatives on the date of this Agreement.

For and behalf of  
**Etihad P.J.S.C.**

James Hogan  
President & Chief Executive Officer

\_\_\_\_\_  
Signature

Date: \_\_\_\_\_

For and behalf of  
**The Government of the Republic of  
Serbia**

\_\_\_\_\_  
Signature

Date: \_\_\_\_\_

For and behalf of  
**JAT Airways a.d.**

\_\_\_\_\_  
Signature

Date: \_\_\_\_\_