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Description	#51800098v1<UKMATTERS> - 16154587_1_UKGROUPS(Draft Support Services Agreement 26 Jul)(tjp)
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Total changes	297

DATED

2013

(1) THE GOVERNMENT OF THE REPUBLIC OF SERBIA

- and -

(2) ETIHAD AIRWAYS P.J.S.C.

- and -

(3) JAT AIRWAYS A.D.

**~~MANAGEMENT~~SUPPORT
SERVICES AGREEMENT**

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BETWEEN:

- (1) **THE GOVERNMENT OF THE REPUBLIC OF SERBIA ("GoS");**
- (2) **ETIHAD AIRWAYS P.J.S.C., P O Box 35566, Khalifa City A, Abu Dhabi, United Arab Emirates "Etihad");**
- (3) **JAT AIRWAYS A.D.,** [
Please insert missing details ("Company").

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. The GoS wishes to enter this Agreement:
 - (a) in recognition of, and in order to secure for the Company the benefit of, Etihad's experience and airline management expertise; and
 - (b) to obtain for the Company the benefits of synergies between the business of the Company and the business of Etihad,

in order to restructure and turnaround the Company and re-launch it under a new name/brand; namely, Air Serbia.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, the following terms shall have the following meanings, unless the context requires or admits otherwise:

"1998 Purchase Contract" means the aircraft purchase agreement dated 26 May 1998 between Airbus and the Company concerning eight (8) Airbus A319-100 aircraft;

"Affiliate" means, with respect to any person, any other person which directly or indirectly controls, is controlled by or is under common control with such person (for purposes of this definition, **"control"** (including, with correlative meanings, the terms **"controlled by"** and **"under common control with"**), as applied to any person, means the possession, directly or indirectly, of the power to vote a majority of the securities having voting power for the election of directors (or other persons acting in similar capacities) of such person or otherwise to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise and, in addition, in the case of the GoS, any government body or department coming within the jurisdiction and control of the GoS). Notwithstanding anything to the contrary control for the purposes of this definition shall not denote the notion of control, sole, joint or effective under applicable competition and/or other regulations in Serbia or otherwise;

"Agreement" means this ~~Management~~Support Services Agreement, as the same may from time to time be amended, modified or supplemented in accordance with the provisions of this Agreement;

"Air Transport Law" means, collectively, the Air Transport Law (as published in the Official Gazette of the Republic of Serbia 73/2010, 57/2011 and 93/2012) and byelaws and regulations issued thereunder, as the same may be amended, supplemented and in effect from time to time;

"Applicable Law" means the laws, decrees, ordinances, rules and regulations applicable in Serbia (and interpretations thereof by the courts of Serbia having the force of law) and notices and orders thereunder of or by the GoS or any subdivision or authority thereof or any judicial or administrative body in Serbia, which notices or orders are issued pursuant to applicable laws and regulations;

"Articles" means the memorandum and articles of association of the Company as in effect on the date of this Agreement and as they may be amended or supplemented from time to time;

"Bankruptcy Event" means, in relation to any legal person, the insolvency, liquidation, amalgamation, reconstruction, reorganisation, bankruptcy, administration, receivership or dissolution of that person (other than a solvent liquidation, solvent amalgamation, solvent reconstruction or solvent reorganisation) and any equivalent or analogous proceeding by whatever name known and in whatever jurisdiction;

"Bilateral Agreement" means any agreement between the Republic of Serbia and any other country relating to the provision of air services between their respective territories and the allocation of routes, frequencies and capacity to air carriers of such countries, whether presently in effect or entered into after the date of this Agreement;

"Board" means the Board of the Company;

"Business" means (i) the existing business carried on by the Company and (ii) such other business as may from time to time be carried on by the Company in accordance with Applicable Law, subject in each case to obtaining the necessary approvals and licences and to the provisions of the Articles;

"Business Day" means a day when the banks are open for commercial banking business in Serbia and Abu Dhabi, with the exception of internet banking only;

"Business Plan" any business plan of the Company that has been approved by the Board that includes a financial plan (which may include *inter alia*: assumptions, key financial indicators, break even analysis, projected profit and loss, projected cash flow, projected balance sheet, business ratios and long term planning);

"CAD" means as the Civil Aviation Directorate of the Republic of Serbia as specified in the Air Transport Law;

"Company" has the meaning ascribed to it above;

"Dinars" means the lawful currency of the Republic of Serbia;

"Director" means each director of the Company from time to time;

"Dispute" has the meaning specified in clause 17.1;

"Effective Date" means the date on which this Agreement shall come into effect pursuant to clause 6.1;

"Encumbrance" means any mortgage, charge, pledge, lien or any other security interest, whether legal or equitable and whether contingent or otherwise;

"Force Majeure" means any event or circumstance beyond the reasonable control of a Party which materially affects the ability of such Party to perform its obligations under this Agreement including but not limited to any war, declared or not, or hostilities, blockade, revolution, insurrection, riot, public disorder, act or campaign of terrorism, expropriation, requisition, confiscation or nationalisation, export or import restrictions by any governmental authorities, fire, unusual flood, earthquake, volcanic activity, storm, typhoons, lightning, epidemic, strikes or lockouts;

"General Meeting" means a general meeting (and any adjournment thereof) of the holders of Shares duly convened and held under the Serbian Companies Law and the Articles;

"GoS Director" means any person nominated for appointment as a Director by the GoS and appointed by the General Meeting or otherwise according to the Articles and any person appointed by the GoS as a Director in its capacity as a shareholder in the Company;

"Gross Negligence" means negligence arising in circumstances where the underlying applicable duty of care has not been met by a significant margin, it being the case that the subject conduct (i) fell far below what could reasonably be expected in the circumstances, (ii) was undertaken with an actual appreciation of the risks involved (or an indifference to an obvious risk) and no reasonable justification;

"Group Companies" means the Company or any member of its group including JAT Katering, Su-Port **[and to be inserted]** and **"Group Company"** means any of them;

"ICC" means the International Chamber of Commerce;

"Indemnified Parties" has the meaning specified in clause 10.1;

"Independent Firm" has the meaning specified in clause 2.7.3;

"Initial Term" means the period between the Effective Date and the end of 31 December 2018.

"Investment Agreement" means the Investment Agreement to be entered into by the GoS, the Company and Etihad (as investor) pursuant to the Transaction Framework Agreement after the date of this Agreement as the same may be amended or supplemented in accordance with its terms;

"Investment Date" means the date on which the Investment Agreement closes and, pursuant to its terms, Etihad has exercised its right to appoint certain Directors;

"Licence" means any licence of the type issued to a Serbian air carrier for Passenger Services issued or issuable by the CAD pursuant to the Air Transport Law;

"Management Costs" means any of the costs specified in clause 2.2.4;

"Management Support Services" means the turnaround management support services to be provided by Etihad pursuant to clause 2;

"Non-Permitted Deviation" means any deviation from the Business Plan and/or Strategic Plan that involves:

- (a) a fundamental alteration of the commercial objectives of the current Business Plan and/or Strategic Plan; or
- (b) a comprehensive re-statement of the current Business Plan and/or Strategic Plan; or
- (c) a commitment which results in the level of debt service (including for such purpose principal and interest, lease rental and similar payments) of the Company or any subsidiary for any fiscal year exceeding by more than ten per cent (10%) the level of debt service (including for such purpose principal and interest, lease rental and similar payments) for such fiscal year as provided in the current Business Plan and/or Strategic Plan; or
- (d) an increase in annual capital expenditure (in excess of [US\\$5m](#)) or a commitment to increase debt service (including for such purpose principal and interest, lease rental and similar payments but excluding a prudent level of bank overdraft facilities) of the Company or any subsidiary after such time that the level of retained earnings for any *[two]* consecutive fiscal years is lower than (or in the management's most recent budget and forecast presented to the Board of Directors is projected to be lower than) the level of retained earnings for such fiscal years as provided in the current Business Plan and/or Strategic Plan;

"Observer" has the meaning specified in clause 2.2.4.3

"Party" or **"Parties"** means any signatory or all signatories to this Agreement;

"Passenger Service" means the provision of scheduled air services or international air charter services for the carriage of passengers and/or cargo and/or mail;

"Permitted Deviation" means any deviation from the Business Plan except (i) a Non-Permitted Deviation, (ii) a Reserved Matter, or (iii) other matter requiring the consent of the GoS or the Board hereunder;

"Purchase Price" means the price at which Etihad subscribed for Shares plus interest calculated on the basis of interest [at 1 month Libor on the date of payment plus 3% per annum and pro rata for any part thereof];

~~§ The definition of Redeployment and Human Resources Plan has been deleted as it's subject matter is dealt with in para 12 of the Transaction Framework Agreement.—~~

"Regulatory Approvals" means the Authorizations as defined and specified in Schedule 1;

"Related Party Arrangement" means any arrangement, transaction or agreement (or any modification of any arrangement, transaction or agreement) involving the Company or any subsidiary or joint venture thereof or the business or properties thereof, on the one hand, and Etihad or any Affiliate or the business or properties thereof (whether as a party thereto or receiver or provider of any accommodation, consideration, goods or services), on the other hand;

"Reserved Matters" has the meaning set forth in clause 2.5;

"Serbian Companies Law" means the Companies Law of the Republic of Serbia (as published in the Official Gazette of the Republic of Serbia 36/2011 and 99/2011), as the same may be amended, supplemented and in effect from time to time;

"Shares" means the ordinary share capital of the Company;

"Shareholder Agreement" means the shareholder agreement to be entered into by the GoS, the Company and Etihad (as investor) pursuant to the Transaction Framework Agreement after the date of this Agreement as the same may be amended or supplemented in accordance with its terms;

"Strategic Plan" means the Business Plan already jointly approved by the GoS and Etihad which includes details of plans in relation to the Company's future shape and size (including renaming as Air Serbia and network, fleet, scheduling, marketing, personnel and product plans) as set forth in schedule 5;

"Term" means the term of this Agreement specified in clause 6; [and](#)

"Transaction Framework Agreement" means the Transaction Framework Agreement dated the same date as this Agreement between the GoS, the Company and Etihad, as the same may be amended or supplemented in accordance with its terms;

~~**"Transaction Documents"** means this Agreement, the Investment Agreement, the Shareholder Agreement, the Transaction Framework Agreement and any of the further agreements referred to therein, all documents ancillary to them and/or entered into by Etihad with the Company and any Group Companies;~~

~~**"UNCITRAL"** means the United Nations Commission on International Trade Law; and~~

~~**"United States Dollars"** or **"US\$"** means the lawful currency of the United States of America.~~

1.2 Interpretation

In this Agreement, unless otherwise specified:

- 1.2.1 if the day on which any act, matter or thing is to be done under this Agreement is not a Business Day, the act, matter or thing must be done on the next Business Day;
- 1.2.2 a reference in this Agreement to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision;
- 1.2.3 a reference in this Agreement to any agreement or document is to that agreement or document as amended, novated, supplemented or replaced;
- 1.2.4 a reference to a clause, part, schedule or attachment is a reference to a clause, part, schedule or attachment of or to this Agreement;

- 1.2.5 a word which denotes the singular also denotes the plural and vice versa;
- 1.2.6 a reference to the word 'include' or 'including' is to be construed without limitation;
- 1.2.7 the table of contents and headings to clauses and schedules are for convenience only and do not affect the interpretation of this Agreement; and
- 1.2.8 unless otherwise agreed to by the GoS and Etihad, the words "consent of the GoS" or words of similar import means a written consent signed by a duly authorised representative of the GoS under Applicable Law.

2. MANAGEMENT OF THE COMPANY

2.1 Business of the Company

Etihad and the GoS shall each procure that the Business is conducted in the best interests of the Company, in accordance with this Agreement and all Applicable Law, and each hereby agrees that it shall use its best endeavours to cooperate with the other in the promotion of the Business and the Company.

The GoS and the Company undertake (to the extent within their control) to use all reasonable endeavours to facilitate achieving the milestones and the key performance indicators set out in the Strategic Plan and each subsequent Business Plan. The GoS and the Company have undertaken (to the extent within their control) to achieve the milestones and the key performance indicators with the intention of inducing Etihad to enter into this Agreement, the Transaction Framework Agreement, Investment Agreement, Shareholder Agreement and the other ancillary transaction documents.

Subject to compliance with the provisions of this Agreement, the GoS shall not be responsible for any failure of the Company to achieve the milestones or targets in the Business Plan. **These two para were previously in the draft SHA**

2.2 Provision of Management Support Services

- 2.2.1 Etihad shall provide the Company with the Management Support Services during the Term.
- 2.2.2 Etihad covenants that, during the Term, it shall at all times make available to, and deploy for the benefit of, the Company personnel of reasonably equivalent levels of management skill and experience as the management personnel of Etihad for the fulfilment by Etihad of its responsibility with respect to the provision of Management Support Services.
- 2.2.3 Etihad shall exercise its authority and responsibility principally through the Chief Executive Officer of the Company appointed pursuant to clause 2.4.4, who shall manage the day to day operations of the Company and the other management functions described in clause 2.4.

- 2.2.4 Subject to disclosure of details with respect thereto, Etihad shall be entitled to charge and the Company shall be obliged to reimburse Etihad in United States Dollars, in respect of:
- 2.2.4.1 the amounts incurred by Etihad in respect of provision of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer of the Company appointed pursuant to clause 2.4.4 and of any supporting senior management personnel seconded by Etihad to the Company pursuant to clause 2.4.3.3 (or, if any such person is not devoted full time to the Company, an amount proportional to the time devoted to the Company);
 - 2.2.4.2 any third party cost necessarily incurred for or on account of the Company by Etihad in relation to provision of the Management [Support Services approved by the Board pursuant to clause 2.5.12](#) (including fees of external service providers of the type covered by clause 2.8); and
 - 2.2.4.3 Board and General Meeting Observer.
- 2.2.5 With effect from the date of this Agreement until the Investment Date, Etihad shall be entitled to appoint one (1) representative (an "**Observer**") who shall be entitled to attend all Board meetings and all General Meetings, receive notice of all such meeting and receive all notices, agendas, minutes and other papers relating to such meetings as Directors and/or holders of Shares may be entitled to receive at the same time as such information is provided to such Directors and/or holders of Shares, as applicable.
- 2.2.6 The Observer shall be entitled to speak and generally participate at any Board meeting and at any General Meeting, but shall not be entitled to vote. Etihad shall be entitled to replace from time to time its representative serving as an Observer upon thirty (30) days prior written notice to the Company and, subject to the provisions of this clause 2.2.4.3, such replacement will have all of the rights of an Observer.

2.3 Management responsibilities

When fulfilling its management responsibilities, Etihad shall:

- 2.3.1 direct its nominated Chief Executive Officer of the Company to keep the Chairman of the Board informed when fulfilling his responsibilities and take into consideration the advice of the Chairman of the Board;
- 2.3.2 devote sufficient attention and resources in order to perform his role in accordance with the standards set forth in this Agreement;
- 2.3.3 act in accordance with all applicable laws, treaties and regulations (including, without limitation, Applicable Law, safety standards set by the CAD and all other applicable laws and regulations to which the Company's aircraft or operations may be subject);

- 2.3.4 in the ordinary course of business make decisions and take actions that are consistent with the operation and management of the Company as a prudent profit-oriented enterprise;
- 2.3.5 develop for the benefit of the Company any synergies and cost savings that may arise between the Company and any operations of Etihad and its Affiliates;
- 2.3.6 promote the image, reliability and quality of the Company as the national flag carrier of Serbia;
- 2.3.7 comply with the provisions of this Agreement (including clauses 2.5 (Reserved Matters), 3.2 (Related Party Arrangements) and 3.3 (protection against self-dealing), all applicable provisions of the Articles, and Applicable Law; and
- 2.3.8 report to the Board on its activities on a regular monthly basis, or even more frequent if reasonably requested so by the Board.

2.4 Management authority

- 2.4.1 During the Term Etihad shall have, and is hereby vested with management authority over, and responsibility for, the ordinary course of business and affairs of the Company subject to the terms of this Agreement.
- 2.4.2 In all matters over which Etihad exercises authority, the GoS and the Company agree that Etihad shall not be required to refer such matters to or seek the approval at a General Meeting or the Board unless otherwise required by Applicable Law, the Articles or the terms of this Agreement, and that such matters shall be validly conducted without such reference or consent, notwithstanding Etihad's status as a non-shareholder in the Company or (with effect from the Investment Date), as a minority shareholder in the Company.
- 2.4.3 Without limiting the generality of the matters specified in clause 2.4.1, Etihad's authority and responsibility shall cover (but not be limited to) the following matters:
 - 2.4.3.1 the conduct of day to day management of the Company;
 - 2.4.3.2 preparing Business Plans (comprising budget, capital expenditure and investment plans) for Board approval that adhere to and further implement the principles and key performance indicators included in the Strategic Plan and this Agreement, and implementing their terms once so approved;
 - 2.4.3.3 the right to second senior Etihad personnel to the Company who, in the case of the personnel specified in clause 2.4.4, shall be required to report directly to the Board;
 - 2.4.3.4 making decisions as deemed appropriate by Etihad on the appointment, removal or internal transfer of any senior manager of the Company and/or the replacement of the executive personnel

specified in clause 2.4.4, subject to the requirements of clauses 2.5.13 and 2.7;

- 2.4.3.5 management of the flight and maintenance operations of the Company and the marketing, reservations, information systems, inventory control, planning, treasury, cash and risk management, procurement, accounting, legal and public relations functions of the Company;
- 2.4.3.6 management of employees of the Company and determination of compensation, bonus levels, functions, transfers, training, demotions, promotions, disciplinary action, dismissals, hiring and employee benefits with respect to the employees of the Company;
- 2.4.3.7 development and maintenance of management information and reservation systems, aircraft fleet plans, business expansion and rationalisation plans and improvement of the productivity and capability of the employees of the Company;
- 2.4.3.8 preparation of an annual business report for submission to the Board (which business report shall review the Company's performance and prospects in terms of results of operations, traffic, yields, operating expenditures, debt service and other non-operational expenditures, cash flows, fleet plans, business expansion and rationalisation, competitive situation, marketing, management information and reservations systems, employee performance, staffing requirements, extraordinary events and other relevant matters);
- 2.4.3.9 determining and, upon Board approval, implementing (i) a robust corporate governance regime which will include a manual of authority containing policies dealing with, amongst other matters, authority levels for employees and senior executives (including the Directors), and (ii) a business ethics policy and code of conduct for the Company;
- 2.4.3.10 provision of access to the Company to new technologies and improvement of the technological capabilities of the Company and the know-how and skills of its employees;
- 2.4.3.11 reducing overheads by relocating to Abu Dhabi non-operational core functions (but not necessarily related personnel) of the Company, such as revenue management, network planning, fleet planning, legal, insurance, subject to the limitations specified in clauses 2.5 (Reserved Matters) and 3 (synergies and Related Party Arrangements);
- 2.4.3.12 direction and control of negotiation and execution of agreements by the Company, including agreements relating to the incurrence by the Company of indebtedness, lease payments and other obligations or acquisition, by purchase or otherwise, of aircraft and related equipment, spare parts and technical and other services;

- 2.4.3.13 bringing into effect actions and preventative measures to ensure that the Company is operated as a safe and reliable airline and all aircraft and equipment used by the Company are maintained in compliance with all applicable laws and regulations (including, without limitation, all Applicable Law), manufacturers' service bulletins and warranty conditions;
 - 2.4.3.14 the appointment of directors to any subsidiary or joint venture entity of the Company;
 - 2.4.3.15 the winding up of any subsidiary of the Company and the absorption of its activities into the Company in accordance with the Business Plan;
 - 2.4.3.16 the selection of external legal counsel to the Company;
 - 2.4.3.17 the placement of insurance for the Company; and
 - 2.4.3.18 the banking of funds of the Company.
- 2.4.4 The GoS and Etihad hereby jointly agree that the following personnel nominated by Etihad shall be appointed to the following positions in the Company from the Effective Date: ~~to be inserted~~ Dane Kondic as Chief Executive Officer, ~~to be inserted~~ Gabriel Rusu as Chief Financial Officer and ~~to be inserted~~ as Chief Operating Officer.
- ~~1.6.5 — The Parties shall do all such things necessary to register the Chief Executive Officer with the Serbian Company Registry as a prokurist (“prokurista”) without delay. Following registration the Chief Executive Officer shall be empowered and authorised to represent JAT.~~
- 2.4.5 ~~1.6.6~~—When exercising the authority granted by, and adhering to the responsibilities imposed by this Agreement, Etihad will act in full compliance with Applicable Law.
- 2.4.6 ~~1.6.7~~—Etihad agrees to use its best efforts to identify and/or develop Serbian nationals (including those approved by the GoS) for key positions within the Company. Once the first three years of the Term has elapsed or, if later, three years have expired since the Investment Date, Etihad will use reasonable efforts to identify qualified Serbian nationals for the appointment to positions of Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer upon Board approval.

2.5 Reserved Matters

Etihad shall not take any of the following actions in respect of the Company or its subsidiaries without the prior consent of the Board (which in the case of clauses 2.5.13, 2.5.14 and 2.5.14 is not to be unreasonably withheld or delayed):

- 2.5.1 any merger, consolidation or sale of a substantial portion of the tangible and/or intangible assets that are considered as assets of significant value under the Serbian Companies Law involving the Company or any of its subsidiaries;
- 2.5.2 subject to the provisions of clause 2.6.3, any amendment to the Articles;
- 2.5.3 the establishment and delegation of any powers or duties of the Board to any committee or the establishment or modification of the rules governing such committee;
- 2.5.4 any Non-Permitted Deviation from a Business Plan;
- 2.5.5 the establishment (including by acquisition of shares) or termination of, or sale of equity interests in, any subsidiary of the Company or joint venture entity;
- 2.5.6 the commencement, pursuit, defence, or settlement of any claim or legal or arbitration proceeding;
 - 2.5.6.1 in which the Company and the GoS are parties as co-plaintiffs or co-defendants; or
 - 2.5.6.2 there is a reasonable possibility that the proceedings could result in a material adverse effect on the Company if determined against it;
- 2.5.7 any resolution or action to wind up or dissolve the Company or any subsidiary without absorption of its activities into the Company or any resolution or action initiating bankruptcy or any similar proceeding;
- 2.5.8 any amalgamation, consolidation, reconstruction, change to, or reduction or reorganisation of, the share capital of the Company;
- 2.5.9 any redemption or repurchase of Shares or issuance of additional Shares;
- 2.5.10 the approval of the dividend policy of the Company;
- 2.5.11 the adoption or amendment of procurement policies for the Company and any subsidiary setting out procurement procedures and authority limits for executive management;
- 2.5.12 appointment of external service providers of the type specified in clause 2.8 ~~where such appointment will exceed a continuous period of three (3) months;~~
- 2.5.13 the appointment of senior management personnel to the Company who meet the requirements of clause 2.7.1; and
- 2.5.14 implementation of any Business Plan (comprising budget, capital expenditure and investment plans) to the extent that it does not adhere to and further implement the principles and key performance indicators of the Strategic Plan and this Agreement.

2.6 Implementation by the GoS

- 2.6.1 With the exception of matters covered by clauses 2.4.3.9 (corporate governance/business ethics policy and code of code), 2.5 (Reserved Matters) and 3.2.2 (Related Party Arrangements), the GoS and JAT shall exercise all voting rights and powers of control available to it (in its capacity as a shareholder (both generally and specifically in relation the GoS Directors) in relation to the Company at General Meetings and meetings of the Board and by circulation of resolutions so as to give full effect to the terms and conditions of this Agreement, including the vesting under clause 2.4.1 in Etihad of management authority and responsibility over the affairs of the Company so as to facilitate exercise by Etihad of such authority and responsibility.
- 2.6.2 The GoS shall, so far as it lies within its power (in its capacity as a shareholder in the Company), procure that a quorum is present at all duly convened meetings of the Board and the General Meetings and procure that the Directors will support and implement all valid decisions of the Board and the General Meetings for the development and conduct of the Business as contemplated in this Agreement.
- 2.6.3 The GoS shall vote in favour of such amendments to the Articles as may be appropriate or necessary to give effect to the provisions of this Agreement and decisions rendered in accordance with Clause 2.6.1.

2.7 Appointment of senior management personnel

- 2.7.1 GoS and Etihad agree that no person will be appointed to a senior management role in the Company or any of its Affiliates unless he or she possesses the skills, experience and knowledge that someone occupying an equivalent role within a first class third party full service airline in the USA or EU reasonably would be expected to possess.
- 2.7.2 In the event that the GoS or Etihad considers that a person who has been appointed to a senior management role in the Company, or is being proposed for such appointment, does not meet the criteria specified in clause 2.7.1, the matter shall be referred to an Independent Firm (appointed in accordance with clause 2.7.3) for review (at the cost of the Company) and with instructions that the Independent Firm should report on the merits and demerits of such persons for such appointment and make an appropriate recommendation. The recommendation of the Independent Firm shall be delivered to the Board for its consideration.
- 2.7.3 The Independent Firm shall be an independent firm of internationally recognised management consultants or accountants designated by the GoS and Etihad (or by President of the Royal Aeronautical Society in London, failing such agreement). The GoS and Etihad agree that the Independent Firm shall be appointed, and requested to report its recommendation, as expeditiously as possible and that it shall be provided with any information it may reasonably require, together with the views of the GoS and Etihad relevant to the question it is considering.

2.8 External service providers

Subject to Applicable Law and clause 2.5.12, the GoS and the Company agree that Etihad may engage specialized companies (such as accounting and consulting firms) to provide services to the Company (in support of provision by Etihad of the Management [Support Services](#) and meeting of its management responsibilities) as Etihad may consider it reasonably appropriate but always fully in compliance with Applicable Law.

3. SYNERGIES AND RELATED PARTY ARRANGEMENTS

3.1 Subject to clause 2.5, and all applicable legal and regulatory requirements and approvals, Etihad shall use its reasonable efforts to conclude, in the interests of the Company, synergies between the Business and the business of Etihad by means of:

3.1.1 using its relationships with third party vendors and service providers to obtain for the benefit of the Company goods and services required by the Company on terms and conditions that are more favourable to the Company than the terms and conditions that would be obtained if the Company procured such goods and services from the market on a "stand-alone" basis;

3.1.2 providing to the Company (directly or through its Affiliates) goods and services required by the Company on terms and conditions that are competitive with, or preferential to, the terms and conditions that would be obtained if the Company procured such goods and services from the market on a "stand-alone" basis; and

3.1.3 implementation of clause 2.4.3.11 (relocating functions) of the Company, such as revenue management, network planning, fleet planning, legal, insurance) in relation to the non-operational core functions specified therein.

3.2 Etihad recognises that Related Party Arrangements need to be effected on a transparent, arm's length basis and in the best interests of the Company and Etihad hereby agrees that, prior to effecting any Related Party Arrangement, Etihad shall:

3.2.1 provide full disclosure of (and provide all supporting documents relating to) such Related Party Arrangement to the Board;

3.2.2 obtain the written consent of the Board (such consent not to be unreasonably withheld or delayed); and

3.2.3 check whether there are any legal or regulatory requirements that might prevent such arrangements, generally or only in certain territories or circumstances.

3.3 Etihad shall avoid actions that involve self-dealing or impropriety and, in particular, without limitation, shall not directly or indirectly effect any arrangement, transaction or agreement that has the effect of diverting any opportunity of the Company or its Group Companies to maintain flights, increase frequencies on any routes or introduce new routes, or book customers on its flights or obtain customers for its catering, ground handling, maintenance or other operations.

3.4 The provisions of clause 3.3 shall not be construed as prohibiting Etihad (as an airline) from providing service on a route in competition with the Company so long as Etihad (as manager of the Company) does not misuse its management authority and responsibilities in relation to the Company, including by improperly:

- 3.4.1 using confidential information in the possession of the Company or a Group Company;
- 3.4.2 causing the Company to decrease frequencies on routes;
- 3.4.3 preventing the Company from introducing new routes or abandoning routes;
- 3.4.4 diverting passengers away from the Company or a Group Company;
- 3.4.5 reallocating or exchanging gates or slots; or
- 3.4.6 using the Company's traffic rights for the benefit of Etihad (as an airline) or any Affiliate thereof.

4. PAYMENTS

4.1 Management Costs

The Management Costs shall be reimbursed by the Company to Etihad at three-monthly intervals, with effect from the date of this Agreement, within fourteen (14) days of date of Etihad invoice.

The Company is not permitted to make any deduction, withholding or set-off in respect of any sum due (whether present or future) to Etihad under this Agreement.

All payments required by this Agreement to be made to Etihad shall be made by the Company by means of telegraphic bank transfer in United States Dollars to Etihad's account, as set out below:

~~Name of Bank: NATIONAL BANK OF ABU DHABI~~

~~Beneficiary Name~~ ETIHAD AIRWAYS

~~Currency~~ USD

~~Bank Name~~ National Bank of Abu Dhabi

~~Branch Address of Bank:~~ Main Branch, Sh. Khalifa St, Abu Dhabi, U.A.E. UAE

~~Account Name:~~ ETIHAD AIRWAYS P.J.S.C. 0148667839

~~Swift Code:~~ NBADAEEA

~~Account Number:~~

~~IBAN:~~ NO. AE98035000000148667839

~~Intermediary Account:~~ Bank

~~Deutsche Bank Trust Company Americas~~

~~Swift Code:~~ BKTRUS33

~~Account Number:~~

or such other account held by Etihad which it notifies to the Company in writing at least two (2) Business Days prior to the relevant payment date.

4.2 Company contracts with Etihad

Nothing in this Agreement shall relieve the Company from any obligation to make payment under any services contract validly entered into between the Company and Etihad or any of Etihad's Affiliates.

4.3 Late payment

In the event the Company does not pay any amount due within the applicable time frame, Etihad may charge interest at the rate of 3 months LIBOR plus 2% per annum using an actual/360 day count on any unpaid amounts or the highest amount permitted by law, whichever is less.

5. WARRANTIES AND COVENANTS

5.1 Authority

5.1.1 The Company and Etihad each represents and warrants to the other as follows:

5.1.1.1 it is a duly incorporated and validly existing corporation under the laws of the U.A.E, (as applied in the Emirate of Abu Dhabi) in the case of Etihad and under the laws of Serbia in the case of the Company;

5.1.1.2 it is a licensed commercial air carrier duly authorised to act as such in accordance with applicable laws in the U.A.E. in the case of Etihad, and Serbia in the case of the Company;

5.1.1.3 subject to grant of the Regulatory Approvals, it holds all licences, certificates and permits from all competent authorities necessary to perform its obligations under this Agreement, and has the requisite corporate power and authority to enter into, and perform its obligations under, this Agreement; and

5.1.1.4 the execution and delivery of this Agreement, the performance by such Party of its obligations under this Agreement and the consummation by such Party of the transactions contemplated hereby will not contravene any provision of the Articles in the case of the Company and, in the case of Etihad, its organising documents.

5.1.2 The GoS, the Company and Etihad each represents and warrants to the others as follows:

5.1.2.1 the execution and delivery by such Party of, and the performance by it of its obligations under, this Agreement have been duly authorised by all necessary action;

- 5.1.2.2 this Agreement has been duly executed and delivered by such Party; and
- 5.1.2.3 the execution and delivery of this Agreement, the performance by such Party of its obligations under this Agreement and the consummation by such Party of the transactions contemplated hereby will not:
- (a) violate or be in conflict with any material agreement or commitment to which such Party is a party or by which such Party is bound; or
 - (b) violate any Applicable Law in the case of the GoS and the Company, and any statute or law or any judgment, decree, order, regulation or rule of any competent authority in the U.A.E. to which Etihad is subject in the case of Etihad.

5.2 Regulatory Approvals

- 5.2.1 Etihad and the GoS shall be jointly responsible for the preparation of all submissions for the Regulatory Approvals and shall take all reasonable necessary steps to procure the fulfilment of this Condition.
- 5.2.2 Etihad and GoS undertake to each other to file the Regulatory Approval applications in accordance with all relevant local laws promptly after the date of this Agreement and in no event later than ten (10) Business Days thereafter.
- 5.2.3 Etihad and the GoS shall give and procure that each Group Company in the case of the Company and each Affiliate in the case of Etihad shall give the other Party and its advisers reasonable and prompt assistance in relation to the preparation of such applications and filing of response to any requests for information or meetings in the furtherance of obtaining the Regulatory Approvals.
- 5.2.4 The conditions in this clause 5.2 may only be waived (in whole or in part) part by written agreement between Etihad and the GoS.

5.3 Sale of shares

The GoS shall not, at any time prior to the Investment Date or earlier termination of this Agreement, directly or indirectly, sell, transfer, assign or create any Encumbrance on any of its Shares or its beneficial interest therein or voting rights in respect thereof.

5.4 Bilateral Agreements

- 5.4.1 The GoS shall, to the fullest extent permitted by Applicable Law and applicable Bilateral Agreements, ensure that, subject to the procurement and maintenance by the Company of the requisite Licenses, the route and frequencies being utilised by the Company as of the expiration of the Initial Period shall continue to be made available to the Company.

- 5.4.2 During the term of this Agreement, the Company may:
- 5.4.2.1 inform the CAD (or any successor) of its requirements with respect to additional routes or frequencies;
 - 5.4.2.2 propose amendments to any Bilateral Agreement pursuant to which the Company is a designated airline; or
 - 5.4.2.3 propose the initiation of negotiations with another country to enter into a new Bilateral Agreement pursuant to which the Company will be a designated airline of Serbia;

and the GoS shall, to the fullest extent permitted by Applicable Law and applicable Bilateral Agreements, instruct the CAD to cooperate with, and without undue delay provide reasonable assistance to, the Company in connection with all such requirements and proposals.

5.5 Supply contract(s) between the Company and Etihad

The Parties hereby agree that the Company shall award to Etihad, in its capacity as an airline, a contract for the supply of aircraft by means of wet lease. The essential terms of such arrangements are set forth in schedule 2 and shall be incorporated into a separate agreement(s).

5.6 Immigration

The GoS shall, to the fullest extent permitted by Applicable Law, ensure that all persons seconded by Etihad to the Company pursuant to clause 2.4.3.3 and/or appointed pursuant to 2.4.4 shall be permitted to enter, work for the Company without restriction and remain in Serbia for the duration of such work appointment unless Applicable Law requires that such persons are refused such persons such rights, in which event details thereof shall be promptly supplied to Etihad and the GoS shall give Etihad all reasonable assistance in resolving any issues which have led to such necessary denial.

6. TERM

- 6.1 This Agreement shall come into effect on the next Business Day after the last of the Regulatory Approvals has been granted.
- 6.2 Unless otherwise agreed to by the GoS and Etihad or terminated by the GoS or Etihad pursuant to clause 7, as applicable, this Agreement shall automatically, and without the necessity of any action or provision of any notice, terminate on the earlier of the following:
- 6.2.1 the expiration of the Initial Term subject to clause 6.3;
 - 6.2.2 six (6) months before the date of accession of the Republic of Serbia to the European Union;
 - 6.2.3 the date falling twelve (12) months after the date of notice to terminate from Etihad to the GoS;

- 6.2.4 the date falling six (6) months after the date of a written notice from the GoS to Etihad that the GoS' general interests are substantially prejudiced by continuance of this Agreement and no remedy can be found within that period of six [6] months;
 - 6.2.5 on 01 September 2013 if the Investment Agreement has not been executed by that date; or
 - 6.2.6 on 01 April 2014 if the Investment Agreement does not proceed because the conditions set out in clause 5.2 have not been met and the Regulatory Approvals have not been granted by that date.
- 6.3** The Initial Term shall be automatically extended by a further period of five (5) years commencing on 1 January 2019 unless Etihad serves notice on the GoS no later than 6 months prior to the expiration of the Initial Term that Etihad wishes to terminate this Agreement in which case clause 7.6 shall apply.

7. TERMINATION

- 7.1** GoS and Etihad may (but shall not be obligated to) terminate this Agreement by notice to the other Parties upon the occurrence and during the continuance of any of the following events:
- 7.1.1 the GoS or Etihad, as applicable, fails to comply with any of its obligations in this Agreement and does not correct such failure within sixty (60) days of the date of a notice requiring correction from the non-defaulting Party, save that no such notice will be required and no period to rectify will be available where the subject failure is of a type that has previously been the subject of three or more notices to correct or is incapable of rectification and has had an adverse effect on the Company, the Business or Etihad;
 - 7.1.2 a termination by the GoS or Etihad, as applicable, of the Investment Agreement or any of the other agreements referred to therein between the Parties and/or between the Company and Etihad;
 - 7.1.3 if an event of Force Majeure (other than an event resulting from an action of the notifying Party) delays either of performance of the terms of this Agreement by any Party for a time period in excess of ninety (90) days; or
 - 7.1.4 a change of law or decision of a regulatory authority according to which it has become, or will within the next six (6) months become unlawful for Etihad to render the Management [Support](#) Services in accordance with this Agreement.

7.2 The GoS may (but shall not be obliged to) terminate this Agreement by notice to Etihad and the Company upon the occurrence and during the continuance of a Bankruptcy Event with respect to Etihad.

7.3 Etihad may (but shall not be obligated to) terminate this Agreement by notice to the GoS and the Company:

7.3.1 if the Company fails to comply with any of its payment obligations in clause 4.1 and does not correct such failure within fourteen (14) days of the date of a notice requiring correction from Etihad (copied to the GoS);

7.3.2 the Company fails to comply with any of its other obligations in this Agreement and does not correct such failure within sixty (60) days of the date of a notice requiring correction from the non-defaulting Party, save that no such notice will be required and no period to rectify will be available where the subject failure is of a type that has previously been the subject of three or more notices to correct or is incapable of rectification and has had an adverse effect on the Company, the Business or Etihad; or

7.3.3 upon the occurrence and during the continuance of a Bankruptcy Event with respect to the Company.

7.4 Put Option

7.4.1 In the event of termination of this Agreement by the GoS pursuant to clause 6.2.4 or by Etihad pursuant to clause 7.1.4, Etihad may serve a notice (a "**Put Exercise Notice**") substantially in the form of schedule 3) on the GoS to require the GoS to purchase all, but not some, of Etihad's Shares at a price per Share equivalent to the Purchased Price provided that the GoS repays all loans that are outstanding from Etihad to any Group Company at the point at which Etihad exercises such put option save that where Etihad's notice has been triggered by a change of law in Serbia or a change of decision by a Serbian regulator, the price per Share shall, if higher, be calculated by reference to the market value of the Company on the date of the notice (the "**Put Option**").

7.4.2 On exercise by Etihad of the Put Option, Etihad shall sell and the GoS shall acquire all, but not some, of Etihad's Shares, such sale and purchase to be completed within six months of the date of the Put Exercise Notice, (or in the event of any legal impediment to transfer as soon as possible thereafter and the GoS shall use its best endeavours to remove such legal impediment and Etihad shall provide all reasonable assistance in connection therewith).

7.4.3 Payment by the GoS of the consideration on completion of the Put Option shall be in cash, in US dollars and shall be free from the deduction or withholding of any taxation, duty, fee or other charge whatsoever.

7.5 Call Option

7.5.1 In the event of termination of this Management Agreement by the GoS, the GoS may serve a notice (a "**Call Exercise Notice**" substantially in the form of schedule 4) on Etihad to require Etihad to sell all, but not some, of Etihad's

Shares to the GoS at a price per Share equivalent to the Purchase Price, provided that the GoS repays all loans that are outstanding from Etihad to any Group Company at the point at which the GoS exercises such call option (the "**Call Option**").

7.5.2 On exercise by the GoS of the Call Option, Etihad shall sell and the GoS shall acquire all, but not some, of Etihad's Shares, such sale to be completed within three months of the date of the Call Exercise Notice, (or in the event of any legal impediment to transfer as soon as possible thereafter and Etihad shall use its best endeavours to remove such legal impediment and the GoS shall provide all reasonable assistance in connection therewith).

7.5.3 Payment by the GoS of the consideration on completion of the Call Option shall be in cash, in US dollars, and shall be free from the deduction or withholding of any taxation, duty, fee or other charge whatsoever.

7.6 Upon termination of this Agreement pursuant to clause 6.2, 7.1, 7.2 or 7.3, this Agreement shall cease to be in force and effect and the obligations of the Parties hereunder (including but not limited to the right and responsibility of Etihad to manage the Company) shall cease and terminate which, in the case of termination pursuant to clause 7.1, 7.2 or 7.3 shall be on the date that notice of termination by the applicable Party is received by the other applicable Parties. Notwithstanding any termination of this Agreement, the provisions of clauses 5.3 (sale of shares), 5.4 (Bilateral Agreements), 5.5 (supply contracts between the Company and Etihad), 13 (announcements) or 14 (confidentiality), the provisions of then existing Related Party Arrangements and any obligations of the Parties that have matured but are unperformed as of the date of termination shall survive and continue in force and effect.

7.7 Except where expressly stated herein to the contrary, termination of this Agreement for any reason shall be without prejudice to any rights of any Party in respect of any breach of this Agreement by any other Party prior to such termination.

8. **FORCE MAJEURE**

The performance by the Parties of their obligations hereunder (with the exception of the Company's payment clause 3 obligations) shall be excused for so long as such performance is prevented by an event of Force Majeure (other than an event caused by the Party seeking excuse of performance).

The Parties shall consult with each and take all reasonable steps to minimise the losses to either Party from the event of Force Majeure and to perform their obligations under this Agreement to the greatest extent possible.

9. **LIMITATION OF LIABILITY OF ETIHAD**

9.1 Save as stated herein, Etihad makes no representations or warranties, express or implied, in respect of the Management [Support](#) Services to be provided by it hereunder.

9.2 Neither Etihad nor any of its officers, directors, stockholders, employees or agents (acting on Etihad's behalf to provide the Management [Support](#) Services) shall be liable to the Company or the GoS, or any of their affiliates for any loss, liability, damage or expense arising out of or in connection with the performance of any Management [Support](#) Services contemplated by

this Agreement, unless such loss, liability, damage or expense shall be proven to result directly from the wilful misconduct of Etihad.

9.3 In no event will Etihad be liable to the GoS or the Company for:

9.3.1 special, indirect, punitive or consequential damages; or

9.3.2 loss of profits or lost business, loss of anticipated savings, loss of opportunity, even if Etihad has been advised of the possibility of such damages.

9.4 The GoS and the Company agree and acknowledge that Etihad shall not be liable under any circumstance for any shortfall in any Business Plan or other target (including any operational, financial or business targets) unless such shortfall is caused by the wilful misconduct of Etihad or any of its officers, directors, stockholders, employees or agents (acting on Etihad's behalf to provide the Management [Support Services](#)).

9.5 The GoS shall be liable to the Company or Etihad, or any of their affiliates for any loss, liability, damage or expense arising out of or in connection with the performance of any Management Support Services contemplated by this Agreement, unless such loss, liability, damage or expense shall be proven to result directly from the wilful misconduct of Etihad.

10. INDEMNIFICATION

10.1 ~~4.38~~—The Company shall indemnify and hold harmless Etihad, its officers, directors, employees, subcontractors or agents (acting on behalf of Etihad in the performance of the Management [Support Services](#)) (the "**Indemnified Parties**") from and against any and all expenses (including reasonable attorney's fees) losses, claims, actions, damages and liabilities, joint or several, relating to or arising out of the Management [Support Services](#) or other matters referred to in or contemplated by this Agreement, save to the extent caused by the Gross Negligence or wilful misconduct of the Indemnified Party.

10.2 ~~4.39~~—The GoS shall indemnify and hold harmless Etihad and the Indemnified Parties from and against (and be responsible for) any:

10.2.1 ~~4.39.1~~—liabilities that any Group Company may have whenever and howsoever arising prior to the Effective Date and whether known to or discovered by Etihad at or prior to the Effective Date or following the Effective Date, including (but without any limitation as to the amount or type of liability) any existing commercial or financial debt, any costs related to litigation and/or claims against any Group Company or any costs related to any element of the restructuring of the Company, such that neither the Company nor any Group Company nor Etihad will bear any such liabilities whatsoever;

10.2.2 ~~4.39.2~~—liabilities of any Group Company for stretched creditors, balance creditors, and other liabilities including those incurred in the normal course of trading prior to the Effective Date;

10.2.3 ~~4.39.3~~—liabilities relating to the operations of the Company prior to the Effective Date;

- 10.2.4 ~~4.39.4~~ liabilities relating to all existing GoS and commercial loans to the Company prior to the Effective Date;
- 10.2.5 ~~4.39.5~~ costs relating to all employment liabilities, including redundancies, pension and retirement benefits whether incurred prior to or following the Effective Date, any liabilities relating to former employees arising both prior to and following the Effective Date and any liabilities relating to current employees arising prior to the Investment Date;
- 10.2.6 ~~4.39.6~~ costs and liabilities associated with the 1998 Purchase Contract;
- 10.2.7 ~~4.39.7~~ costs and liabilities associated with any adverse tax consequences arising as a result of the transactions contemplated hereby or any restructuring of the Group Companies; and
- 10.2.8 ~~4.39.8~~ all expenses (including reasonable attorney's fees) losses, claims, actions, damages and liabilities, joint or several, relating to or arising out of acts or omissions of the Company or GoS (as shareholder) that occurred prior to the Effective Date, or upon the occurrence and during the continuance of a Bankruptcy Event with respect to the Company~~;~~

subject to the overall US\$100m (one hundred million US Dollars) aggregate liability cap and five (5) year limitation specified in clauses 9.3.2 and 9.3.3 of the Investment Agreement.

10.3 ~~4.40~~ In no event shall the Company or GoS be liable according to clauses 10.1 or 10.2:

- 10.3.1 ~~4.40.1~~ to the extent that any expenses (including reasonable attorney's fees) losses, claims, actions, damages and liabilities, is determined in a final judgment of a competent court (from which there is no right of further appeal) to have resulted solely from the Gross Negligence or wilful misconduct of Etihad or the Indemnified Party (as applicable);
- 10.3.2 ~~4.40.2~~ for special, indirect, punitive or consequential damages, or loss of profits or lost business, loss of anticipated savings or loss of opportunity;
- 10.3.3 ~~4.40.3~~ in respect of any claim if and to the extent that such claim relates to any losses recoverable and recovered by the Indemnified Party pursuant to any insurance policy, subject to clause ~~4.40.4~~ 10.4;
- 10.3.4 ~~4.40.4~~ to the extent that the Indemnified Party has already been compensated from another source in respect of any matter covered by the GoS indemnity;
- 10.3.5 ~~4.40.5~~ to the extent that a claim would not have arisen but for an omission or a voluntary act of the Indemnified Party occurring after the Effective Date, save to the extent that the cause of the claim existed on or before the Effective Date provided that in such case (i.e. when the cause of the claim existed on or before the Effective Date) the Company's and/or the GoS' (as applicable) indemnity obligation shall not apply to any increase of its/their liability after the Effective

Date which would not have arisen but for an omission or a voluntary act of the Indemnified Party;

10.3.6 ~~4.40.6~~ in respect of any claim to the extent that it is based upon a liability which is contingent only or is otherwise not capable of being quantified, but only unless and until such liability ceases to be contingent and becomes an actual liability or becomes capable of being quantified, as the case may be;

10.3.7 ~~4.40.7~~ in respect of any claim if and to the extent that the expenses, losses, claims, actions, damages and liabilities giving rise to such claim is reasonably capable of relief (without cost or loss to the Indemnified Party) and such relief is granted.

10.4 ~~4.41~~ Clause 10.3.3 shall not be applicable where the subject insurance forms part of an Etihad insurance programme and a claim against the it will result in a premium increase for Etihad upon renewal of the programme during the one or more of the next three (3) years (regardless of whether such insurance forms part of the renewal(s)) unless the amount of the increase is either not separately identifiable by the relevant insurers (upon request by Etihad) or, if identifiable and identified by the relevant insurers, payment is first made by the ~~indemnifying~~Indemnifying Party in respect of the full cost of all such increase(s).

10.5 ~~4.42~~ Nothing in clause 10.1 and 10.2 shall restrict or limit the Indemnified Party's general obligation at law to mitigate a loss it may suffer or incur as a result of an event that may give rise to a claim under the indemnity specified therein.

10.6 ~~4.43~~ Nothing in clause 10.3 shall operate to limit or exclude any liability of the Company or GoS (as applicable) for, or remedy against an Indemnified Party in respect of, any fraud, fraudulent misrepresentation, or wilful misconduct.

11. INSURANCE

11.1 ~~4.44~~ The Company shall, to the fullest extent permitted by Applicable Law and available for purchase in reputable insurance markets, procure and maintain in full force and effect Directors and Officers insurance cover which:

11.1.1 ~~4.44.1~~ includes, as insureds, all persons nominated or seconded by Etihad to the Company pursuant to the provision of Management Support Services during the Term of this Agreement or, if longer, the term of their appointment within the Company;

11.1.2 ~~4.44.2~~ provides that, in relation to such persons, the insurance shall be primary and without right of contribution from any other insurance which may be available to them;

11.1.3 ~~4.44.3~~ shall be with insurers and with limits of cover approved by Etihad (such approval not to be unreasonably delayed or withheld); and

11.1.4 ~~1.44.4~~ to the extent possible, shall include a waiver of rights of subrogation against Etihad or its Affiliates.

11.2 ~~1.45~~ The Company shall, to the fullest extent permitted by Applicable Law and available for purchase in reputable insurance markets, procure and maintain in full force and effect during the Term comprehensive airline liability insurance, including hull insurance in respect of all aircraft operated by the Company and passengers, baggage, cargo, mail and aircraft third party legal liability insurance. All policies shall be extended to include war risks, hijacking and allied perils and shall:

11.2.1 ~~1.45.1~~ shall be with insurers and with limits of cover approved by Etihad (such approval not to be unreasonably delayed or withheld);

11.2.2 ~~1.45.2~~ include Etihad and the Indemnified Parties as additional insureds for their respective rights and interests;

11.2.3 ~~1.45.3~~ provide that the insurance shall operate in all respects as if a separate Policy had been issued covering each party insured hereunder (save that the total liability of Insurers in respect of any and all insured shall not exceed the limits of liability stated in the policy);

11.2.4 ~~1.45.4~~ provide that the insurance shall be primary and without right of contribution from any other insurance which may be available to the additional insured;

11.2.5 ~~1.45.5~~ provide that the additional insureds shall have no responsibility for premium that insurers waive any rights of set-off or counterclaim against the additional insureds;

11.2.6 ~~1.45.6~~ provide that the cover afforded to each additional insured by the Policy shall not be invalidated by any act or omission (including misrepresentation and non-disclosure) of any other person or party which results in a breach of any term, condition or warranty of the policy provided that the additional insured so protected has not caused, contributed to or knowingly condoned the said act or omission;

11.2.7 ~~1.45.7~~ provide that, except in respect of any provision for cancellation or automatic termination specified in the policy or any endorsement thereof, cover provided hereunder may only be cancelled or materially altered in a manner adverse to the additional insured's by the giving of not less than thirty (30) days' notice (but seven (7) days (or such lesser period as may be customarily available) in respect of war and allied perils coverage).

Notice shall be deemed to commence from the date such notice is given by the Insurers. Such notice will not, however, be given at normal expiry date of the policy or any endorsement.

11.3 ~~1.46~~ On request, the GoS and the Company shall provide evidence to Etihad of the insurance required by this clause 11.

12. NON-COMPETITION

Subject to this clause 12, Etihad hereby undertakes for the benefit of the other Parties that, until the termination of this Agreement, Etihad shall not, and shall procure that each of its Affiliates shall not, without the consent of the GoS:

12.1.1 ~~4.46.1~~ carry on or be engaged or hold any direct or indirect interest in the issued share capital of any business established in Serbia that holds a Licence to act as an airline offering Passenger Services; or

12.1.2 ~~4.46.2~~ provide any goods or services, or enter into, or have an interest in, any arrangement with any third party providing goods or services in Serbia, in respect of any business established in Serbia that holds a Licence to acts as an airline offering Passenger Services; or

12.1.3 ~~4.46.3~~ cause or permit any person directly or indirectly to do any of the foregoing acts or things in the name of or with the support of Etihad save that the provisions of this clause 12.1.3 shall not apply to:

12.1.3.1 ~~4.46.3.1~~ any holding by Etihad or any Affiliate thereof by way of bona fide investment only of shares representing up to five per cent (5%) of the issued share capital of any company; or

12.1.3.2 ~~4.46.3.2~~ any activity already commenced or conducted by Etihad or its Affiliates as at the date of this Agreement.

13. ANNOUNCEMENTS

13.1 ~~4.47~~ No announcement concerning the matters contemplated by this Agreement or any ancillary matter shall be made by one Party without the prior written approval of

13.1.1 ~~4.47.1~~ the GoS in the case of an announcement by Etihad;

13.1.2 ~~4.47.2~~ Etihad in the case of an announcement by the GoS; and

13.1.3 ~~4.47.3~~ Etihad and the GoS in the case of an announcement by the Company.

13.2 ~~4.48~~ Each Party may make an announcement concerning the matters contemplated by this Agreement or any ancillary matter if required by Applicable Law (or if an announcement to the Serbian Parliament is considered advisable by the GoS) provided that to the extent practicable any such announcement shall be made only after notice to and consultation with:

13.2.1 ~~4.48.1~~ the GoS in the case of an announcement by Etihad;

13.2.2 ~~4.48.2~~ Etihad in the case of an announcement by the GoS; and

13.2.3 ~~4.48.3~~ Etihad and the GoS in the case of an announcement by the Company.

13.3 ~~1.49~~ The restrictions contained in clause 13 shall continue to apply after the termination of this Agreement without limit in time.

14. CONFIDENTIALITY

14.1 ~~1.50~~ Subject to clause 13, each Party shall treat as strictly confidential all information received or obtained as a result of entering into or performing this Agreement which relates to:

14.1.1 ~~1.50.1~~ the provisions of this Agreement;

14.1.2 ~~1.50.2~~ the negotiations relating to this Agreement;

14.1.3 ~~1.50.3~~ the subject matter of this Agreement; or

14.1.4 ~~1.50.4~~ another Party.

14.2 ~~1.51~~ Each Party may disclose information which would otherwise be confidential if and to the extent:

14.2.1 ~~1.51.1~~ required by applicable law (or if such disclosure to the Serbian Parliament is considered advisable by the GoS);

14.2.2 ~~1.51.2~~ necessary or desirable for the purpose of making submissions to regulatory bodies or for obtaining any regulatory consents

14.2.3 ~~1.51.3~~ necessary or desirable for the conduct of any arbitration pursuant to clause 18;

14.2.4 ~~1.51.4~~ required to vest the full benefit of this Agreement in that Party;

14.2.5 ~~1.51.5~~ disclosed to the professional advisers, auditors and bankers of that Party;

14.2.6 ~~1.51.6~~ the information has come into the public domain through no fault of that Party; or

14.2.7 ~~1.51.7~~ the other Parties have given prior written approval to the disclosure;

provided that to the extent practicable any such disclosure shall be made only after notice to and consultation with the other Parties.

14.3 ~~1.52~~ Prior to engagement by the Company of any personnel nominated or seconded by Etihad, such personnel shall be required to execute confidentiality agreements on industry standard terms restricting them from utilising information obtained with respect to the Company other than in connection with the Business and this Agreement.

15. NOTICES AND OTHER COMMUNICATIONS

15.1 ~~4.53~~ Each notice and every other communication given or made under or in connection with this Agreement (together with any enclosure) shall be:

15.1.1 ~~4.53.1~~ in writing;

15.1.2 ~~4.53.2~~ in English or if not exclusively in English, then accompanied by a full translation into English of the portions not in English made by an appropriately certified translator, and certified by such translator in a manner approved by the receiving Party and the receiving Party shall be entitled to assume the accuracy of and rely upon such translation;

15.1.3 ~~4.53.3~~ be addressed as provided in clause 15.2 and, if so addressed, shall be deemed to have been duly given or made as follows:

15.1.3.1 ~~4.53.3.1~~ if sent by personal delivery, upon delivery at the address of the relevant Party upon written confirmation of receipt; and

15.1.3.2 ~~4.53.3.2~~ if sent by facsimile or email of a pdf document, upon dispatch with receipt of confirmation of transmittal;

provided that, if, in accordance with the above provisions, any such notice or other communication would otherwise be deemed to be given or made outside working hours, such notice or other communication shall be deemed to be given or made at the start of the next period of working hours.

15.2 ~~4.54~~ The relevant addressee, address and facsimile number of each Party for the purpose of this Agreement, subject to clause 15.3 are:

GoS Please insert missing details for GoS

Tel:
Fax:

Etihad
Etihad Airways Head Office
5th Street
Khalifa City A
Abu Dhabi
United Arab Emirates
Facsimile: +9712 5111016
Email: jcallaghan@etihad.ae
Attention: General Counsel

~~Tel:~~
~~Fax:—~~

Company Please insert missing details for JAT

Chairman of the Board of Directors
Managing Director

Tel:
Fax:

15.3 ~~4.55~~-A Party may notify the other Party of a change to its name, relevant addressee, address or facsimile number of the purpose of clause 15.2; provided that such notification shall be effective on:

15.3.1 ~~4.55.1~~ the date specified in the notification as the date on which the change is to take place; or

15.3.2 ~~4.55.2~~ if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date falling five Business Days after notice of any such change has been given.

16. MISCELLANEOUS MATTERS

16.1 ~~4.56~~ Assignment

Save in accordance with the express provisions hereof, no Party shall assign all or any part of the benefit of, or its rights or benefits under, or delegate any of its obligations under, this Agreement.

16.2 ~~4.57~~ Entire Agreement

This Agreement constitutes the whole and only agreement between the parties relating to the conduct of the management of the Company and supersedes and extinguishes any prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature whatsoever, whether or not in writing relating thereto.

16.3 ~~4.58~~ Non-reliance

Each Party acknowledges that in entering into this Agreement, it is not relying upon any representation, warranty, promise or assurance made or given by any other party or any other person, whether or not in writing, at any time prior to the execution of this Agreement which is not expressly set out herein.

16.4 ~~4.59~~ Variation

This Agreement may be varied in writing signed by each of the GoS and Etihad (without the necessity of consent of the Company) or, in the case of any amendment to clauses 5.4, 5.5 or this clause 16.2 all the Parties.

16.5 ~~4.60~~ Further Acts

Each of the Parties shall, from time to time on being required to do so by any other Party, now or at any time in the future, do or procure the doing of all such acts and/or execute or procure the execution of all such documents in a form satisfactory to the other Party as the other Party may reasonably consider necessary for giving full effect to this Agreement and securing to the other Party the full benefit of the rights, powers and remedies conferred upon the other Party in this Agreement.

16.6 ~~4.61~~ **No Partnership**

16.6.1 ~~4.61.1~~ Etihad shall be an independent contractor pursuant to this Agreement. Save as otherwise provided for in this Agreement, no Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of another Party or to bind another Party to any contract, agreement or undertaking with any third party.

16.6.2 ~~4.61.2~~ Nothing in this Agreement shall be deemed or construed to enlarge the fiduciary duties and responsibilities, if any, of Etihad or any of its Indemnified Parties, including without limitation in any of their respective capacities (with effect from the Investment Date) as shareholder or director of the Company.

16.7 ~~4.62~~ **Severability**

16.7.1 ~~4.62.1~~ Each undertaking contained in this Agreement shall be read and constructed independently of the other undertakings herein contained so that if one or more should be held to be invalid as an unreasonable restraint of trade or for any other legal reason whatsoever then the remaining undertakings shall be valid to the extent that they are not held to be so invalid.

16.7.2 ~~4.62.2~~ While the Parties acknowledge that the undertakings in clause 12 are reasonable under the circumstances, if one or more should be held invalid as an unreasonable restraint of trade or for any other legal reason whatsoever but would have been held valid if part of the wording thereof had been deleted or the range of activities or area dealt with thereby reduced in scope, the said undertakings shall apply with such modifications as may be necessary to make them valid and effective.

16.8 ~~4.63~~ **Third Parties**

Other than the Indemnified Parties, there are no third party beneficiaries to this Agreement and no person who is not a Party to this Agreement shall have any right to enforce any term of this Agreement under the Contracts (Rights of Third Parties) Act 1999.

16.9 ~~4.64~~ **Waiver**

No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. Except as otherwise set forth in this Agreement, no failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder

preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

16.10 ~~4.65~~ **Waiver of Immunity**

Subject to the requirement set forth in clause 17 to settle Disputes by arbitration, the GoS irrevocably and unconditionally:

16.10.1 ~~4.65.1~~ agrees that should Etihad bring legal proceedings against it or its assets in relation to this Agreement no immunity from such legal proceedings (which shall be deemed to include suit, attachment prior to judgment, other attachment, the obtaining of interim decree, judgment, execution or other enforcement) shall be relied upon or claimed by or on behalf of itself or with respect of its assets;

16.10.2 ~~4.65.2~~ waives any such right of immunity which it or its assets now has or may hereafter acquire; and

16.10.3 ~~4.65.3~~ consents generally in respect of any such proceedings to the giving of any relief or the issue of any process in connection with such proceedings including the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such proceeding.

16.11 ~~4.66~~ **Costs**

Save as otherwise stated in this Agreement, each party shall pay its own costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this Agreement including obtaining of Regulatory Approvals.

16.12 ~~4.67~~ **Counterparts**

This Agreement may be executed in any number of counterparts, and by the Parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

~~4.68~~ **Conflict with Transaction Documents**

~~If any of the provisions of this Agreement conflicts with any of the provisions of any other the Transaction Document then the provisions of this Agreement shall prevail and the Parties shall whenever necessary exercise all voting and other rights and powers available to them to procure the amendment of such documents to the extent necessary to permit the Company and its affairs to be carried out as provided in this Agreement.~~

~~16.13~~ ~~Modification of the Shareholder Agreement~~ Board matters

16.13.1 The GoS shall do all such things necessary to empower and authorise the Chief Executive Officer to represent JAT by means of registering him with the Serbian Company Registry as a prokurist (“prokurista”) or by other appropriate means without delay. Alternatively, and at its option, the GoS may appoint the Chief

Executive Officer specified in clause 2.4.4 (including for the purposes of this clause 16.3 any replacement nominated by Etihad) as member of the Board.

16.13.2 In the event that the GoS appoints the Chief Executive Officer as a member of the Board, the term of such appointment shall expire on the Investment Date.

16.13.3 During the period between the date of this Agreement and the Investment Date, consideration shall be given by the GoS and Etihad to the possibility of maintaining the Company's unicameral board of directors structure or replacing it with a bicameral board structure.

16.13.4 In the event that the process specified in clause 16.13.3 results in retention of the Company's existing unicameral board of directors structure, the Chief Executive Officer shall be appointed by Etihad as Board member (and clause 16.13.6 shall apply) or be empowered and authorised to represent JAT by means of being registering by the Parties with the Serbian Company Registry as a prokurist ("prokurista") or by other appropriate means without delay.

16.13.5 In the event that the process specified in clause 16.13.3 results in the replacement of the Company's unicameral Board structure with a bicameral structure (comprising a supervisory board of directors made up of all members of the existing Board, excluding the Chief Executive Officer and all other executives of the Company sitting above an executive board of directors made up of the Chief Executive Officer, the Chief Finance Officer and the Chief Operations Officer) the parties shall make such necessary changes to the Articles without delay.

16.13.6 ~~The~~In the event that the Chief Executive Officer ~~of the Company shall be~~ appointed as a member of the Board. ~~During the Term~~ at or after the Investment Date then, for the duration of the term of his appointment or the Term of this Agreement whichever is shorter, the number of Board members Etihad is empowered to appoint pursuant to clause 3.2 of the Shareholder Agreement shall be limited to three.

16.14 Use of English

The ~~parties~~Parties agree that, to the extent not already used by the Company, English shall be adopted and used as the principal language for the management of the Company at the senior level and that to the extent translation of management documents into English is required, the cost thereof shall be borne by the Company.

~~4.71 Articles 561 and 562 of the Serbian Companies Law~~

~~4.71.1 The Parties do not consider that Articles 561 and 562 of the Serbian Companies Law have any application to this Agreement by reason of the fact that this Agreement does not have the effect of vesting sole or effective control of the Company in Etihad.~~

~~4.71.2 As a result, the GoS considers that it is not entitled to (i) appropriate an annual consideration in the amount of expected average dividend in the next three years that would be received in case that this Agreement has not been concluded, but in~~

any case not less than average dividend in the preceding three years ("Annual Consideration"); and/or (ii) have a right to sell its shares in the Company to Etihad under the market price determined in accordance with the Article 57 of the Serbian Companies Law.

~~4.71.3~~ In any event, the Parties agree that, even if applicable, any Annual Consideration shall amount to EUR 0 (zero Euros) due to the fact that (i) it is expected that the Company would not make any profit if this Agreement is not concluded (i.e. no dividend would be paid), and (ii) no dividend was paid in the preceding three years since the Company did not earn any profit during that period.

17. DISPUTE RESOLUTION

17.1 ~~4.72~~ Prior to resorting to remedies pursuant to clauses ~~18.2 to 18.9~~, 18, the Parties will attempt in good faith to resolve promptly through negotiations between them any dispute, controversy, claim or disagreement arising directly or indirectly under, out of, in connection with, or in relation to this Agreement (or the subject matter of this Agreement) including, without limitation, any dispute, controversy, claim or disagreement relating to the existence, validity, interpretation, construction, performance, enforcement or termination of this Agreement (hereinafter referred to as a "**Dispute**").

17.2 ~~4.73~~ Unless otherwise agreed in writing, all discussions regarding a Dispute shall be conducted without prejudice to the rights of each of the Parties and shall be conducted between the representatives of the Parties set out at Level 1 below, and if not resolved within the time specified below or as extended by agreement between the Parties, shall then be escalated and discussed between the representatives of the Parties specified at Level 2 until the dispute is resolved or the time period specified below or as extended by agreement between the Parties expires.

<u>Level</u>	<u>GoS representative</u>	<u>Etihad representative</u>	<u>Time for resolution</u>
1	Principal Secretary To the Ministry of Transport	SVP Corporate Strategy and Special Projects	15 Working Days
2	The Minister for Transport	CEO	15 Working Days

17.3 ~~4.74~~ Clauses ~~18.2 to 18.9~~ Clause 18 shall apply to any Dispute which has not been resolved through negotiation pursuant to this clause 17.

18. ~~CHOICE OF GOVERNING LAW AND JURISDICTION~~ DISPUTES

18.1 ~~4.75~~ This Agreement and any non-contractual obligations arising out of or in connection with this Agreement shall be governed by and ~~construed~~ interpreted in accordance with ~~the laws of England and Wales~~ English law. As requested, clause 18 has been amended to correspond with its equivalent clause in the draft SHA

18.2 ~~1.76~~ Any Dispute which has not been resolved through negotiation pursuant to clause 17 within thirty (30) days after the occurrence of such Dispute shall be finally settled by arbitration under the UNCITRAL Arbitration Rules in force on the date hereof except to the extent that those Rules conflict with the provisions of this clause 18.2, in which event the provisions of this clause 18.2 shall prevail. Any dispute or differences arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("LCIA Arbitration Rules"), which Rules are deemed to be incorporated by reference into this clause.

~~1.77~~—The arbitral tribunal shall be composed of three arbitrators appointed as follows:

~~1.78~~—The GoS and Etihad (on behalf of itself or, in the case of a Dispute relating to clause 5.4, on behalf of the Company) shall each appoint an arbitrator, and the two arbitrators so appointed shall appoint a third arbitrator who shall act as chairman of the arbitral tribunal.

~~1.79~~—If either the GoS or Etihad shall fail to appoint an arbitrator within twenty (20) Business Days of receiving notice of the appointment of an arbitrator by the other Party, such arbitrator shall at the request of such other Party be appointed by the ICC, acting in accordance with the rules adopted by the ICC for this purpose and the first Party shall accept such appointment.

~~1.80~~—If the two arbitrators to be appointed by the GoS and Etihad fail to agree upon a third arbitrator within twenty (20) Business Days of the appointment of the second arbitrator, the third arbitrator shall be appointed by the ICC, acting in accordance with the rules adopted by the ICC for this purpose, at the written request of either Party.

~~1.81~~—Should a vacancy arise because any arbitrator dies, resigns, refuses to act, or becomes incapable of performing his functions, the vacancy shall be filled by the method by which that arbitrator was originally appointed; when a vacancy is filled the newly established arbitral tribunal shall exercise its discretion to determine whether any hearings shall be repeated.

18.3 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.

18.4 ~~1.82~~ The seat, or legal place, of arbitration proceedings shall be ~~conducted in and any arbitral award shall be made in London and the governing law of the arbitration proceedings will be the laws of the Republic of Serbia~~ London.

18.5 ~~1.83~~ The language to be used in the ~~arbitration shall be English~~ arbitral proceedings shall be English. The 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.

18.6 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.

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

18.8 The GoS irrevocably:

18.8.1 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

18.8.2 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.

18.9 ~~4.83.1~~ Any decision or award of the arbitral tribunal shall be final and binding upon the Parties. The Parties waive to the extent permitted by law any rights to appeal or to review such award by any court or tribunal.

18.10 ~~4.83.2~~ The Parties agree that the arbitral award may be enforced against the Parties to the arbitration proceedings or their assets wherever they are located or may be found and that a judgement upon the arbitral award may be entered in any court having jurisdiction thereof.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE SIGNED BY THEIR AUTHORISED OFFICERS ON THE DATE FIRST WRITTEN ABOVE.

Signed for and on behalf of
ETIHAD AIRWAYS PUBLIC JOINT STOCK COMPANY,
a company incorporated in the United Arab Emirates, by

Authorised signatory

Signed for and on behalf of
**THE GOVERNMENT OF THE REPUBLIC
OF SERBIA,**
by

Authorised signatory

Signed for and on behalf of
JAT AIRWAYS A.D.,
a company incorporated in the Republic of Serbia,
by

Authorised signatory

SCHEDULE 1

REGULATORY APPROVALS

For the purposes of this Schedule 1 the following terms shall have the following meanings:

"**Authorisations**" means all third party consents, agreements, approvals, authorisations, waivers or variations as may be required by the law or required to preserve all or any rights or benefits enjoyed by the Group Companies on or prior to the Investment Date which may otherwise be withdrawn, terminated or varied directly or indirectly as a result of closing of the Transaction in accordance with the Investment Agreement;

"**New Shares**" means the [•] new Shares to be issued and allotted by the Company to Etihad in accordance with the Investment Agreement; and

"**Transaction**" means the investment in the Company by Etihad on the terms and subject to the conditions set out in the Investment Agreement;

Competition

1. ~~The Serbian Competition Commission ("Competition Commission") under the Competition Protection Act ("Official Gazette of the RS", no. 51/2009)~~ Each of the Competition Commissions (or equivalent bodies or any appellate administrative or court authority having appropriate jurisdiction) of Serbia, Montenegro, Germany and / or any other merger filing jurisdiction ("Competition Commission") acting in accordance with the applicable competition law in its respective jurisdiction (including any statutory modification or re-enactment thereof) ~~("Competition Act")~~ and the rules and regulations thereunder ~~having been obtained upon the occurrence of the first of any of the following and the Competition Commission (or any appellate administrative or court authority in Serbia having appropriate jurisdiction~~ ("Competition Law") having either:

1.1 granted Authorisation to:

1.1.1 the implementation of this Agreement;

1.1.2 the consummation of the acquisition by Etihad of the New Shares pursuant to the Investment Agreement; and

1.1.3 the implementation of other arrangements, as provided for in other transaction document entered into by the Parties pursuant to the Transaction Framework Agreement,

in the case of 1.1.2 and 1.1.3 above in a form and substance reasonably satisfactory to Etihad; or

1.2 been deemed to have granted Authorisation to:

1.2.1 the implementation of this Agreement;

1.2.2 the acquisition of the New Shares pursuant to the Investment Agreement; and

1.2.3 the implementation of other arrangements, as provided for in other transaction document entered into by the Parties pursuant to the Transaction Framework Agreement,

through the expiration of time periods available for the Competition Commission's investigation provided under the Competition Act provided that such expiration is deemed to constitute an Authorisation.

2. The Competition Commission's Authorisation having been obtained of all requests for individual exemptions of restrictive agreements which are necessary in connection with the Transaction (as that term is defined in the Transaction Framework Agreement), or administrative acts deeming such approvals unnecessary;
3. All material merger notifications and filings which are necessary in connection with the Transaction having been made, all necessary waiting periods and other time periods (including any extensions of such waiting and other time periods) under any applicable legislation or regulation of any relevant jurisdiction other than Serbia having expired, lapsed or been terminated (as appropriate) and all statutory or regulatory obligations in any relevant jurisdiction having been complied with, in each case where the absence of such notification, filing or application would have a material adverse effect on Etihad or the Company taken as a whole;
4. All Authorisations which are necessary in any relevant jurisdiction for or in respect of the Transaction having been obtained, in terms and in form reasonably satisfactory to Etihad, from all appropriate Authorities and all such Authorisations remaining in full force and effect at the time the Transaction becomes wholly unconditional and there being no intention to revoke, suspend, restrict modify or not renew any Authorisation, with the exception of any such Authorisations, limitations of which are mandated by the Applicable Law;

State Aid

5. All Authorisations of the Commission for State Aid under the State Aid Act ("Official Gazette of the RS" no. 51/09) (including any statutory modification or re-enactment thereof) ("**State Aid Act**") and the rules and regulations thereunder having been obtained upon the occurrence of any event which, in accordance with the Applicable Law, requires a prior Authorisation;

National aviation authority

6. The Civil Aviation Directorate of the Republic of Serbia ("**CAD**") having:
 - 6.1 issued a letter addressed jointly to the Company and Etihad confirming that, having received and reviewed full details of this Agreement and all other aspects of the Transaction, it is satisfied that the Company will continue to comply with the requirements of Serbian Air Transport Law should the Transaction proceed as proposed and, on that basis, it does not propose to (i) revoke, vary, amend or suspend any right or licence held by the Company for the purpose of operating as a domestic and international scheduled and charter airline (engaged in the carriage of passengers and cargo) and continuing to be designated by the Republic of Serbia to operate routes specified in all bilateral air services agreements between the Republic Serbia and third countries, or (ii) make a proposal to any third party body or authority or the

Government of the Republic of Serbia for the revocation, variation, amendment, suspension of such right(s) or licence(s);

- 6.2 repealed or suspended the application of EC Regulation 1008/2008 (as amended), which was transposed into Serbian law by the CAD Rulebook on the Operative License and Common Rules for Air Transport (“Official Gazette of the RS” no. 54/2012); and
- 6.3 arranged for appropriate corrections to be made in the bilateral air services agreements which Serbia as a party to with affected countries.

National Bank of Serbia

7. The National Bank of Serbia having enacted changes and amendments to the decision on the terms and conditions of using foreign financial loans for the purposes set out in article 21, paragraph 2 of the Law on Foreign Exchange Operations (Official Gazette of the Republic of Serbia 6/2013) allowing legal entities to repay cross-border loans (under the meaning of this term in accordance with the Serbian law on Foreign Exchange Operations (62/2006, 31/2011, and 119/2012)) prior to the expiration of the deadlines stipulated in article 2 of the mentioned decision, provided that such repayment is done in the form of a debt-to-equity swap for the full amount owed by the borrower in a cross-border loan agreement.

SCHEDULE 2

ESSENTIAL TERMS OF WET LEASE AGREEMENT(S)

Aircraft - ~~one~~ Two Airbus A~~320~~319 with a two man flight crew.

Charter Price - US\$[] for each block hour the Aircraft is used during performance of the Flight Programme & pro rata for part thereof subject to a minimum of US\$[] per calendar month regardless of block hours accumulated therein, payable monthly in advance.

Fuel and ground handling - Payable by the Company.

Maintenance and insurance - Included in Charter Price.

Flight Programme - Etihad will operate the following flights for the carriage of the Company's passengers, baggage and cargo for [] [months/years]:

Sector	Days	Dep. (UTC)	Arr. (UTC)	Block hours

Cabin crew - To be provided by the Company, subject to completion beforehand of all necessary training by Etihad (at the Company's cost) and accreditation by the licensing authority responsible for airworthiness and operational certification of the Aircraft and use by Etihad for the Flight Programme.

Commercial control - The Company shall have commercial control of the passenger, baggage and cargo carrying capacity of the Aircraft on all Flights for re-sale under the Company's own designator code and flight numbers, as notified by the Company to Etihad.

Operational control - Etihad shall have operational control and possession of the Aircraft at all times.

Conditions precedent - Receipt by the Company of copies of certificates of insurances covering the aircraft and legal liabilities arising out of its operation. Receipt by Etihad of evidence that all permissions, consents, licenses and approvals required by the Company for Etihad's operation of the Flight Programme have been granted.

SCHEDULE 3

FORM OF PUT EXERCISE NOTICE

To: The Government of the Republic of Serbia

Dear Sirs,

We refer to the ~~Management~~Support Services Agreement dated [] 2013 and made between yourselves and ourselves and to the Put Option granted by you to us under that agreement.

We hereby give you notice under and pursuant to clause 7.4 of the ~~Management~~Support Services Agreement that we exercise the Put Option granted by you to us in respect of all the Shares owned by us.

Yours faithfully,

For and on behalf of

Etihad Airways P.J.S.C

SCHEDULE 4

FORM OF CALL EXERCISE NOTICE

To: Etihad Airways P.J.S.C

Dear Sirs,

We refer to the ~~Management~~Support Services Agreement dated [] 2013 and made between yourselves and ourselves and to the Call Option granted by you to us under that agreement.

We hereby give you notice under and pursuant to clause 7.5 of the ~~Management~~Support Services Agreement that we exercise the Call Option granted by you to us in respect of all the Shares owned by us.

Yours faithfully,

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

SCHEDULE 5
STRATEGIC PLAN



Strategic Plan 2014-16

(as presented to Government of Serbia on 26 June 2013)

Business plan - Network redesign for Jat



- JAT Airways network has been redesigned in order to:
 - Maximise the benefit of Belgrade's geographic location
 - Leverage JAT's strength in its home and regional markets and
 - Maximise connectivity with Etihad in Abu Dhabi and its partners in Europe
- Four departure banks have been developed: 7am, 1pm, 5pm and 11pm
- 14 new destinations are planned to commence between Jan-Apr 2014: Abu Dhabi, Banja Luka, Bucharest, Cairo, Ljubljana, Prague, Beirut, Budapest, Kiev, Monastir, Tunis, Sofia, Varna, Warsaw
- Full codeshare agreements effective 1 Jan 2014 with Etihad, airberlin, KLM-Air France and Alitalia
- A number of areas still require further refinement in closer cooperation with JAT:
 - New slot applications for all destinations except LHR
 - Route service agreements in place but CAA applications required for non 'Open Skies' countries (Turkey, Russia, Lebanon, Egypt, Ukraine, Tunisia)

Jat Airways network with 14x aircraft



Assumptions

- Modelling completed using Seabury APG
- Industry Average Fares as per Seabury calibration
- Full codeshare with strong relationship included with Etihad Partners
- Double Daily Abu Dhabi included (1x operated by Etihad, 1x operated by JAT)
- Operational feasibility to be confirmed by Operations
- No bilateral constraints for JAT

Business plan - Bank structure



- Designed to utilise Belgrade's geographic position in order to create a network supported by local and flow traffic.
- Four banks developed
 - 7am Balkans, South & East of Belgrade to North & West of Belgrade
 - 1pm North and West of Belgrade to Balkans
 - 5pm Balkans to North and West of Belgrade
 - 11pm North and West to South and East and Balkans

Belgrade Bank Structure

		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Arrivals																									
						00 SKG D							15 BUD 1957					25 SVJ D						10 TLV 246	
					00 AUM D								35 BNX 246	05 TXL 246				25 TLV 1957						20 VIE D	
					10 LCA D								40 VIE D	05 FRA 246				25 DBV 246						20 LIU 246	00 SVJ D
					10 ATH D								45 LIJ 1957	10 WAW 246				30 TSO D						20 TIV 1957	05 DUS 246
					15 VAR D								45 TIV 246	10 PRG 1957				30 SKP D						25 BNX 1957	10 AMS 1957
					50 SKP D	20 SUJ D							50 ZRH D	35 DUS 1957				35 SKG D	00 IST 1957					30 TXL 1957	10 CPH 1957
					50 TSO D	25 BEV D							50 STR 246	35 CPH 246				40 SOF D	00 KBP 1957					30 FCO D	10 WAW 1957
					55 MIA 1957	25 TIV D							55 FCO D	40 BRU 1957	15 CDG D			40 OTP D	25 ATH 1957					40 FRA 1957	10 ARN 246
					55 TUN 246	40 CAI 357							55 MXP 1957	45 AMS 246	20 ARN 1957	20 SVJ D		45 ATH 246	40 IST 246					45 STR 1957	20 CDG D
																		45 TIV D	40 KBP 246					50 ZRH D	20 BRU 246
Departures																	50 SPJ 1957	55 LHR D					55 BUD 246	50 MXP 246	25 PRG 246
		10 LCA D							10 AMS 246	00 BUD 1957			05 LHR D	40 KBP 1957	20 KBP 246	05 TSO D	25 SVJ D	15 ARN 246	00 BRU 246					55 BEV D	
		10 MIA 1957							10 WAW 246	00 BNX 246				50 IST 1957	20 SPJ 1957	05 TIV D		30 CDG D	00 FRA 1957					55 CAI 246	
		10 TUN 246							10 PRG 1957				50 ATH 246	30 IST 246	10 SOF D			30 AMS 1957	00 DUS 246						
		15 ATH D							15 FRA 246						30 ATH 1957	10 SKP D		35 AUM D	00 CPH 1957						
		15 SKG D							25 CDG D						30 SKG D	15 DBV 246			05 TXL 1957						
		20 VAR D							25 BRU 1957						55 OTP D	20 SUJ D			10 WAW 1957						
		20 SUJ D							25 ARN 1957							20 TLV 246			25 PRG 246						
		25 TSO D							30 CPH 246										30 ZRH D						
		25 TIV D							35 DUS 1957										30 STR 1957						
		30 SKP D							35 ZRH D										30 MXP 246						
								40 MXP 1957										35 FCO D							
								40 STR 246										35 LIJ 246							
								40 TXL 246										35 TIV 1957							
								45 FCO D										40 BUD 246							
								45 SVJ D										40 BNX 1957							
								50 VIE D										40 VIE D							
								50 LIJ 1957																	
								55 TIV 246																	
								55 TLV 1957																	

Business plan - Re-fleeting



Background

- Jat have old fleet of 4 x ATRs and 8 x 737-300s (25 years plus) with poor operational reliability
- Aircraft are often AOG and product is extremely tired
- Proposed Network Plan supports requirement for 4 x ATRs and 10 x 737 or A320 sized aircraft

Short Term (2013 Priority)

- Retire 737-300s from scheduled operations; replace with a fleet of leased aircraft on 3-5 year terms
- Target jet fleet of 10 x A319s/A320s (IAE engines) or 737-700s/800s by 31st December 2013
- Availability will be a primary driver for selection, with average aircraft age approx. 10 years
- While aircraft will be sourced from 3-4 lessors, intend to configure common business class product

Medium to Long Term

- Initiate a competition between aircraft manufacturers for new generation aircraft
 - Operating current generation aircraft long term would be a competitive disadvantage
 - Include A320 NEO, 737 MAX, and CS300 in campaign; delivery target 2016 and beyond
- Use Etihad leverage during negotiations with Airbus to ensure all Jat liabilities are eliminated
 - This cannot be at the expense of sub-optimal fleetings or economics
 - All residual liability must be the responsibility of the Serbian Government
 - Any deal with Airbus must be for next generation NEOs
- Simultaneously pursue opportunities to maximise sale value of 737-300 fleet to lessors or scrap

Current	Next 3 years	Long term
 4 x ATR 72-2  8 x B737-3	 4 x ATR 72-2  10 x A319	 4 x ATR 72-2  10 x A320neo Or B737Max

Organisational structure - Airline



EY Division	Headcount Numbers				Headcount Cost		
	Current Headcount	Proposed Headcount	Total Change in Staff	% Change in Staff	Proposed Cost USD000 pm	% Change in Cost	Cost Reduction USD000 pm
CEO Office	88	39	-49	-56%	43	-47%	-37
Commercial	209	87	-122	-58%	77	-56%	-99
Finance	190	82	-108	-57%	58	-58%	-79
Operations exc pilots/crew	269	122	-147	-55%	148	-57%	-196
People & Performance	52	20	-32	-62%	14	-62%	-23
Strategy and Planning	58	8	-50	-86%	6	-87%	-39
Overseas employees	81	44	-37	-46%	191	-44%	-149
Total Core Employees	947	402	-545	58%	537	-54%	-621
Pilots	134	181	47	35%	960	35%	249
Cabin Crew	194	260	66	34%	277	34%	70
Total Pilots and Crew	328	441	113	34%	1237	34%	319
Grand Total	1,275	843	-432	-34%	1,774	-15%	-302

- Agreement to a new organisation structure is the first step, with the identification of new roles and their related numbers; this forms the basis of the change program
- **All positions** in the company will be declared vacant – management, administrative, pilots and cabin crew
- **All employees** may apply for redundancy;
 - Applications for redundancy will be reviewed against agreed, communicated criteria
 - Redundancy numbers will range from a minimum of 545 up to 900 or more
 - All redundancy costs to be funded by GoS with costs estimated at up to USD16 million
 - Timing of exit will be in line with the operational requirements of the business
- **Continuing employment** with JAT Airways will depend on:
 - There being a vacant position
 - Successful selection for the vacant position – based on clear job description and applicant's fit for the role (skills, experience, qualifications) and commitment to the future with JAT
 - In the case of cabin crew and pilots they must successfully complete training to Etihad and industry standards in order to continue employment; they will be bonded for the cost of the training
- **New employees** will be recruited to meet the agreed headcount where redundancy applications exceed the target headcount
- **Centralisation** of corporate functions will be undertaken – either at Abu Dhabi or in a Jat Shared Services organisation. Examples include revenue management, product, network, fleet planning, IT, Finance, HR

Organisational structure - Jat Katering, Jat Su-Port, Maintenance



Business	Approach
JAT Katering	<ul style="list-style-type: none">• Revised structure with leaner management overhead• Reduction by c. 34 positions in 2013 to 93 through targeted voluntary redundancy• Cost of redundancy estimated USD0.5 million• All employees to be assessed against job description• Hiring in 2014 to support increased JAT business plan to 197• Support functions eg. Finance, HR, Legal to be centralised
Line and light maintenance	<ul style="list-style-type: none">• Line maintenance and related support functions to be in-sourced in the airline• Estimated headcount of 131 to be recruited
Jat Su-Port	<ul style="list-style-type: none">• Given business plans for provision of below-wing ground handling to Jat Airways and potentially to other airlines at BEG, no reduction in headcount• Potential requirement for additional headcount to be finalised• Support functions eg. Finance, HR, Legal, to be centralised

**Business plan - As part of any investment,
Jat would receive significant benefit (1 of 2)**



- JAT will leverage Etihad Group 's capabilities, systems and relationships with key suppliers

Network, Fleet and Revenue Management

- JAT's network planning function will be managed centrally by Etihad to ensure maximum connectivity and capture of revenues
 - Alliances and codeshares with key Etihad Group airlines
- JAT will receive preferential pricing on the back of Etihad Group's significant aircraft order size
 - Etihad will provide significant leverage in on-going dispute negotiations with Airbus
- JAT's revenue management functions will be centrally managed by Etihad incorporating best practice, policies and systems

Common Platform Integration

- JAT to gain from common IT Platform with Etihad Group
 - Reservations hosting platform (SABRE) – similar to Air Berlin and Jet Airways
 - ERP systems
 - Revenue Accounting and Processing Center
 - Airport Departure Control (SABRE)
 - Flight Planning
 - Crew Planning

Business plan - As part of any investment, Jat would receive significant benefit (2 of 2)



Joint Procurement & Operational Synergies

- Renegotiation of all major supplier contracts at hub and outstations
 - Maintenance
 - Component maintenance

- Consolidation of global procurement to leverage volume discount
 - Simulators
 - Buyer Furnished Equipment (BFE)
 - Ground handling
 - Catering
 - Fuel
 - Insurance
 - In-flight

- Operational synergies such as pilot and cabin crew training in Abu Dhabi

Back Office Functions

- Consolidation of back office functions
 - Finance incl. Revenue Accounting
 - Human Resources
 - Information Technology
 - Legal

Business plan - 3 year financial plan (USD Millions)



	3 year Business Plan		
	2014	2015	2016
Revenue	317	343	352
Costs	362	373	375
EBIT Baseline	(46)	(30)	(23)
Business Improvement Initiatives	0	12	25
EBIT	(46)	(17)	2
ASKs	3,940	3,940	3,940
RPKs	2,722	2,922	3,016
Seat Factor	70.0%	73.1%	75.4%
Yield (Fils)	28.8	31.3	32.0
RASK	29.5	32.0	32.8
Average Fuel Price (USD/bbl)	143.3	143.3	143.3
CASK	33.8	33.6	32.7
Active Fleet	14	14	14
Airbus A319	10	10	10
ATR	4	4	4

Note: RASK & CASK excludes the impact of Business Improvement Initiatives

Business plan - Business Improvement Opportunities to help turn around the airline to profitability



PII	Description	2014	2015	2016
Commission & Booking Fee	Change in channel mix decreasing distribution to 5.5% of passenger revenue by 2016	○	◐	◑
Fuel efficiency	Implementation of fuel management system and techniques reducing fuel burn by 2%-3%	○	◐	◑
Pilot utilisation	Implementation of crew rostering systems improving utilisation to 730 hours p.a.	○	◐	◑
Revenue management	EY managerial direction, systems and processes	○	◐	◑
Government travel	JAT management estimate	○	◑	◑
Charter contribution	JAT management estimate	○	◐	◑
Ancillary revenue	US \$1.31 per passenger (excess baggage)	○	◑	◑
Fuel – Belgrade (NIS)	Volume discount of 5% on into plane charge	○	◑	◑
Ground Handling - Ex-Belgrade	Renegotiation of contracts	○	◐	◑
Passenger tax waiver	JAT management estimate	○	◑	◑

Business Improvement Initiatives worth USD 50M identified

Capital Cost Assumptions



Item	Assumptions and Basis	2014	2015	2016	2017	2014-17
Airline	Spare engines, rotables, IT, simulator, aircraft retrofit, engine refurbishment	USD29.8m	USD25.8m	-	-	USD55.7m
Line & light maintenance	A320 provisioning, engine support space & tooling, systems, tooling	USD26.5m	-	-	-	USD26.5m
Su-Port (above & below-wing)	Vehicles & equipment	USD3.6m	-	-	-	USD3.6m
Jat Katering	Building renovation & equipment	USD10.0m				USD10.0m
Total		USD69.9m	USD25.8m	-	-	USD95.8m

Aviation sector - Restructuring and recapitalization



		TOTAL	FUNDING			
USD Millions			JAT Airways	JAT Katering ¹	Su-Port ¹	Line Maintenance
HISTORICAL ISSUES	Debt and GoS creditors ¹	233.7	226	0.5	7.2	
	Restructuring Costs ²	23.5	23	0.5	-	
	Bridging losses '13 April - December ³	40.2	39	0.8	0.4	
	TOTAL HISTORICAL ISSUES	297.4	288	1.8	7.6	
	2013 Working Capital Requirement	53.1	52	0.4	0.7	
FUTURE BUSINESS	Etihad Share Capital	40	40			
	Airbus new fleet deposit	6	6			
	2014-16 cash shortfall ²	114.6	74	10.1	4.0	26.5
	TOTAL FUTURE BUSINESS	160.6	120	10.1	4.0	26.5
	TOTAL FUNDING	511.1	460	12.3	12.3	26.5

1. Preliminary estimates, further work to be completed

2. Includes: Estimated redundancies, legal fees and other restructuring costs. The funding requirement may differ based on actual costs

3. 2014 - 16 cash shortfall for Katering, Su-Port and Tehnika represents the capex requirement. Tehnika capex requirement shown above is for line and light maintenance operations only and is estimated at USD 25-40 million and requires further analysis. Title ownership title of hangar 1 to be transferred to Jat

