

GLC - LIA

PURPOSE

This document sets out the General Logistic Conditions (hereafter referred to as the « GLC ») describing the procurement methods and logistics procedures for parts manufactured and sold (hereafter referred to as the « Product(s) ») by LISI AEROSPACE. These GLC are available at LISI AEROSPACE's Web Site (www.LISIAEROSPACE.com under Terms & Conditions).

These GLCs shall prevail over any general logistics procedures referenced in any existing and/or future contract(s) or agreement(s) between LISI AEROSPACE and its Customer.

In the absence of any specific logistics conditions agreed between LISI AEROSPACE and its customer, this document shall apply automatically.

The present GLCs shall apply to all firm and forecast purchase orders received by LISI AEROSPACE (hereafter referred to as the « Supplier ») from its Customer (hereafter referred to as the « Buyer »), and hereafter together referred to as the « Parties ».

DATE OF APPLICATION

These GLCs shall apply to all firm and forecast purchase orders from the date of transmission by the Supplier to the Buyer of this document. Only the latest issue of this document shall be binding. Conditions applicable to the Products the Supplier sells to the Buyer are detailed in a PRODUCT ANNEX which forms part of the GLCs and can be reviewed by the Parties. Any updates to the present GLCs shall be subject to the prior written agreement of both Parties.

CONFIDENTIALITY

This document is considered as confidential and is the property of LISI AEROSPACE. It shall not be disclosed, copied or transmitted, irrespective of the purpose, to any third Party without the express written consent of LISI AEROSPACE.

The Parties are mutually bound by a general obligation of confidentiality concerning the information (documents on any medium) exchanged in connection with the framework of the present GLCs.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1- SCOPE

The PRODUCT ANNEX, describing the parameters agreed for each Product reference, shall be revalidated by both Parties should there be a significant change in volumes or may be reviewed annually at the request of one of the Parties.

2- ORDERING PROCESS

The Buyer shall provide the Supplier with a scheduled forecast detailing the expected dates and quantities it plans to purchase (less any inventory), on at least a monthly basis and providing a forward view of a minimum of twenty four (24) months (from the date of receipt of the forecast). The GLCs shall apply to the last three (3) months of forecasts sent by the Buyer to the Supplier in addition to all firm purchase orders received by the Supplier.

The contractual cycle times for the Product are defined as follows:

- Short production cycle: average Product manufacturing cycle time (based on planning and production) and only applicable where the Supplier is in receipt of the Buyer's monthly forecast;
- Long production cycle: short production cycle augmented by the procurement cycle for raw material and components. The latter is provided for information purposes only and will be confirmed on receipt of a firm order and systematically applied in the case of no forecast;
- Cycle times do not cover First Article, rework or the time needed to obtain an export licence.

The format for the exchange of data shall be agreed between the Parties and any amendments shall be subject to the prior written agreement of both Parties. PDF documents are not permitted as a method of exchange.

In the event of a change in product mix/significant variations in volumes, the Parties agree to review the cycle times and/or forecast period.

2.1 FIRM PERIOD

The Firm period represents a commitment from the Buyer to purchase the Product which the Buyer has previously forecast.

The Buyer shall place firm orders respecting both the short production cycle and the minimum call off quantity (delivery MOQ) in accordance with the contract and as specified in the PRODUCT ANNEX. Unless otherwise agreed between the Parties, a delivery quantity tolerance of plus or minus 10 per cent (+/-10%) shall be applied.

The Product cycle time is expressed in weeks and starts on the first working day following receipt of the purchase order by the Supplier on condition that the order complies fully with the commercial conditions agreed between the Parties.

The Firm period is only valid in the event that a reliable monthly forecast is provided by the Buyer (see article 5 – *Customer forecast quality measurement*).

In the case of no forecast being provided, the long production cycle described above shall apply.

The Supplier shall accept the purchase order on condition that the order is compliant and the Product is managed under the short production cycle.

Any purchase order which does not meet the agreed quantity, price, revision etc. shall be considered non-compliant. The acceptance and launch in production of such a purchase order shall be subject to the agreement of both Parties. The Buyer shall issue a purchase order amendment to the Supplier without delay and the cycle time shall start from the date of receipt of said amendment.

Any purchase order placed for delivery at a due date earlier than the applicable production cycle specified in the PRODUCT ANNEX and for which there is no stock to fulfil the quantity ordered, shall automatically be processed according to the cycle time specified in the PRODUCT ANNEX. The prior agreement of the Buyer shall not be required in this case.

A purchase order which has been accepted by the Supplier shall not be amended or cancelled without the prior written agreement of the Supplier and a corresponding order amendment received from the Buyer. The Supplier reserves the right to apply charges associated with any such purchase order change or cancellation.

The Supplier reserves the right to re-schedule the quantities ordered by the Buyer in the event said quantities are higher than the agreed maximum call off quantity and/or deviate from the latest forecasts and/or are out of phase with the agreed market share and aircraft build rates.

The Supplier reserves the right to position the quantities ordered by the Buyer at the first due date given on the forecast issued by the Buyer and accepted by the Supplier, irrespective of the Product's short production cycle time.

In the event a forecast for the Product has not been provided, or the forecast is more than three (3) months old, the Parties agree to apply the long production cycle time defined in the PRODUCT ANNEX to all firm orders, in addition to a delivery quantity tolerance of plus or minus twenty per cent (+/-20%). The long production cycle:

- corresponds to the estimated cycle times for raw material procurement and product manufacture;
- applies where there is a current qualification, compliant tooling is available and excludes factory shut downs;
- and may be adjusted on receipt of the purchase order based on raw material availability, factory load and the time needed to obtain an export control licence (if applicable).

2.2 FLEXIBLE PERIOD

The Flexible period constitutes a firm commitment from the Buyer on the total forecast quantity of the Product.

The Flexible period may be replaced in part by the firm period. It shall correspond to a cycle time which, together with the Firm period, is at least the length of the short production cycle of the Product. In the absence of a Flexible period, the Firm period shall be equal to the short production cycle of the Product.

The Flexible period starts the day after the end of the Firm period and may be expressed in calendar days or weeks.

The quantities indicated in the Flexible period shall respect the minimum call off quantities (delivery MOQ) as agreed in the contract and specified in the PRODUCT ANNEX.

During the Flexible period and with the agreement of the Supplier, the requirements may:

- vary in date by plus or minus four (+/- 4) weeks but not in overall quantity over the total Flexible period,
- vary in quantity from one due date to another, except in the first month of the Flexible period, by up to 10 per cent (10%) of the initial quantity in the case of an anticipated need (while fully respecting the overall initial quantity of the period),
- vary up to a maximum of plus or minus fifteen per cent (+/-15 %) of the last quantity expressed in the provisional period unless otherwise agreed between the Parties, based on the agreed minimum call off quantity (MOQ).
- The Supplier reserves the right to re-schedule the quantities forecast by the Buyer in the case of non-compliance with the rules governing the Flexible period.

The Parties shall come to an agreement in the case of a modification or development of the Product impacting the Flexible period.

2.3 PROVISIONAL PERIOD

The Provisional period constitutes a commitment from the Buyer on the raw material volumes and components undertaken by the Supplier in order to manufacture and respect the Product cycle time.

The Provisional period, together with the Firm and Flexible periods, shall equal a minimum cycle of twenty four (24) months.

The Provisional period starts the day after the end of the Flexible period and is expressed in weeks.

The quantities indicated in the Provisional period shall respect the minimum call off quantities (delivery MOQ) as agreed in the contract and specified in the PRODUCT ANNEX.

The Provisional period may vary in date and quantity over the total Provisional period. Nevertheless, the Buyer shall communicate to the Supplier the reasons for any variation of more or less than thirty (+/- 30 %) in the Provisional period volumes. The Supplier shall subsequently analyse the impact on raw material supplies and components as well as the capacity of the factory. The Supplier reserves the right to apply charges associated with any variation in the forecast.

In the event of successive fluctuations in the Buyer's forecast impacting the supply of raw materials and components, the Supplier shall have the right to ask for the financing of the corresponding volumes and in the case of advance production, the finished Product.

In the event that the Buyer's forecasts do not respect the minimum call off quantities (delivery MOQ) agreed in the contract and specified in the PRODUCT ANNEX, the Supplier reserves the right to regroup the forecasts to reflect the MOQ.

If the MOQ represents more than four (4) times the Buyer's average monthly forecast consumption (AMC), the Supplier reserves the right to disregard the forecast and switch to the long production cycle.

If the Buyer does not communicate its forecast on a regular basis or the forecast is unreliable (see 2.1 Firm Horizon), the Supplier reserves the right to disregard the last forecast sent by the Buyer, if it is more than three (3) months old, and apply the long production cycle times.

The Parties agree to collaborate on the Provisional period.

3- RAW MATERIAL MANUFACTURER RULES

In the event a tonnage imposed by the raw material manufacturer is linked to:

- the lack of or unreliability of the Buyer's forecast,
- uncertainty as to the build rates of the aircraft programme concerned,
- single source qualification by the Buyer,
- forecast variation impacting raw material supply, for which the corresponding volumes, relative to the weight per piece, are equivalent to more than one (1) year's needs,

the Supplier is entitled to request that the Buyer take responsibility for the raw material.

In this case, the Buyer:

- will pay for or issue the material to the Supplier and the purchase orders will be placed at a toll manufacturing price as indicated in the commercial conditions already agreed, or to be defined, between the Parties,
- or will increase its order volumes in line with the raw material manufacturer's minimum.

The Supplier shall not begin the procurement process for the corresponding raw material until it is in receipt of the Buyer's agreement at which point the production cycle can commence.

4- DELIVERIES

Parts will be shipped to the address specified on the purchase order in accordance with the incoterms stipulated in the PRODUCT ANNEX, inside a delivery window of -5/+2 working days from the Supplier's acknowledgement date and in line with the quantity tolerances and expected quality requirements. Where there is no existing forecast and a firm purchase order is received, the receiving window shall be between -10/+5 working days.

A quantity tolerance of plus or minus ten per cent (+/-10%) is applied to Products delivered from forecast and plus or minus twenty per cent (+/- 20%) in the case of no forecast existing at time the order is created.

5- CUSTOMER FORECAST QUALITY MEASUREMENT

The Supplier shall send the Buyer a « Scorecard » measuring the quality of the Buyer's forecast indicating the fluctuations in the planned volumes from one forecast to another and the rate of conversion to firm order.

The reliability rating is measured by converging the forecasts received six (6) to twelve (12) months earlier (depending on the average planning and production cycle) and the actual monthly consumption recorded. If the real consumption is recorded at more or less fifteen per cent (+/- 15%) of the planned monthly forecast, the forecast is considered to be reliable.

In the event of excessive fluctuations in the Buyer's forecast impacting the industrial organisation and production of the site, the Supplier shall disregard said forecasts for all or a part of the Products.

The Supplier shall inform the Buyer who shall revise the forecast within five (5) working days of the Supplier's notification and/or explain the reasons for this variation.

Once the Buyer has been notified by the Supplier, the long production cycle shall apply to all the references concerned and for as long as the excessive fluctuations from one forecast to another are judged by the Supplier to be unacceptable and/or insufficiently stable.

Forecast reliability over 12 months	Rating
95 % → 100%	Excellent
85 % → 95%	Standard
75 % → 85%	Low
< 75 %	Very low

The Parties agree to work on an improvement plan to attain an optimum level of maturity and in time achieve an « Excellent » rating.

GENERAL LOGISTIC CONDITIONS



PRODUCT ANNEX – LIST OF REFERENCES COVERED BY THE « GLC – LIA »

Customer name:

Applicable incoterms:

Supplier	PN	Part Number	LISI Reference	Programme	Coefficient / ac	MOQ / delivery	Firm Period (weeks) (short cycle)	Flexible Period (weeks)	Provisional Period (months)	Long cycle (weeks)

The above list may be revised by both Parties on an annual basis.