

GENERAL PURCHASING TERMS AND CONDITIONS OF THE COMPANY HIDRIA d. d. and its associated companies

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List of definitions:

Hidria

The company Hidria d.d. and its associated companies (in terms of capital and ownership) in Hidria Corporation.

Buyer

Hidria's company – contracting party that issued the order.

Supplier

Company – contracting party to which the order is addressed.

GPTC

Abbreviation for General Purchasing Terms and Conditions of Hidria.

Order

Hidria's written offer to a specific supplier for the purchase of goods or tools.

Recall

Written request of Hidria to deliver or provide, on a specified day, the goods or tools or services previously agreed upon by Hidria and the Supplier in writing.

Goods

Production material, components, semi-products, tools etc., specified in the Buyer's order.

Tools

Production equipment, special purpose transformation tools, measurement devices and apparatuses, calibrators and other tools needed for the manufacturing of goods and products. The GPTC provisions that apply to goods shall also apply to tools, unless otherwise stipulated herein.

Services

Intellectual or other services that may not result in material outcome. The GPTC provisions that apply to goods also apply to services, unless otherwise stipulated by these GPTC.

1. General

- 1.1. Hidria's GPTC apply to all orders of goods, tools and services placed by Hidria. Hidria's GPTC prevail over the general and special sales terms and conditions of the supplier, which shall be partly or wholly excluded. If Hidria places an order referring to the Supplier's documentation, this shall not mean that it accepts the Supplier's sales terms and conditions.
- 1.2. These GPTC shall also apply to the purchase of tools and the related know-how, technology and documentation.
- 1.3. The Supplier has read the GPTC and its signature is a confirmation of their understanding and acceptance in full.
- 1.4. The General Purchasing Terms and Conditions are a constituent part of orders and take effect on the date they are signed by the Supplier and in no case later than on the day an order is accepted or a supply contract is signed by the Supplier.
- 1.5. The Buyer shall reserve the right to set special conditions which shall prevail over the GPTC.

2. Order

- 2.1 Any orders and cancellations, their changes and supplements to them shall be made in writing. The Buyer shall place an order with the Supplier pursuant to the GPTC. The Supplier shall approve and accept the orders in writing. When the Supplier accepts the order, the deal is made and becomes binding for both parties and the GPTC become a constituent part of the order.
- 2.2 Only written orders sent to the Supplier via mail, fax or EDI system shall be valid. Amendments and supplements to the order shall only be valid if they are approved by the Buyer in writing.
- 2.3 Any deviations from the terms and conditions of the order without the Buyer's prior written consent shall not be allowed.
- 2.4 The Supplier undertakes to notify the Buyer in writing without delay on any deviation that might influence the delivery deadlines or the amounts to be delivered. In case of delay, the Supplier shall obtain from the Buyer the written instructions on further procedure and changed terms of the order. The Buyer's acceptance of the changed terms shall not relieve the Supplier from the liability resulting from late delivery.
- 2.5 As a result of any failure to fulfil the terms and conditions laid down in these GPTC, the Buyer may, by means of a written notice, cancel the order (withdraw the order) without any obligation to the Supplier.

3. Confirmation of order

- 3.1. The Supplier shall be obliged to submit to the Buyer a written confirmation of the Order within eight (8) business days of receiving the written order. If the Supplier fails to confirm the order within the said deadline, the order shall be considered accepted on condition that the Supplier accepted the GPTC; otherwise, the order shall no longer be valid after the expiry of the 8-day deadline. In the case of recalls, the Supplier shall be obliged to confirm them within three (3) business days; otherwise, it shall be deemed that they agree to the terms of the recall, unless Hidria and the Supplier agreed on fixed deadlines for the deliveries, in which case the recalls need not be confirmed.
- 3.2. A cancellation of order on the part of the Buyer shall be deemed as made in due time if sent to the Supplier before the Buyer received the confirmation of order by the Supplier. The Supplier shall be obliged to try and reduce the costs arising from the cancellation of order after receiving the cancellation of order.

4. Supply of goods

- 4.1. The Supplier shall be obliged to supply the goods in accordance with the received order or contract. Any deviations from the terms and conditions of the order shall not be allowed without the Buyer's prior written consent.
- 4.2. The Buyer may refuse goods that have not been delivered in accordance with the terms and conditions at the cost of the Supplier.
- 4.3. The Buyer shall be entitled to demand a change in the terms of the order which shall include specification (drawings, structural changes, etc.), date of delivery, place of delivery, method of transport and quantity of the ordered goods or services, provided that it has good reasons for doing so. In such case, the Supplier shall be entitled and obliged to inform the Buyer on potential additional costs, delays in delivery and similar. Both parties shall agree in writing on the amended terms of the order.
- 4.4. It shall be deemed that the goods have arrived in time if they are delivered to the location specified in the Buyer's order. In the case of services it shall be deemed that they have been delivered in time if the Buyer accepts the service within the deadline specified in the order.
- 4.5. If the place of delivery is not specified in the order, it shall be deemed that the place of delivery is the Buyer's warehouse, DDU, in line with the provisions of Incoterms 2000.
- 4.6. The goods shall be accepted in the Buyer's warehouse. Exceptionally, goods can be delivered to other locations, of which the Buyer must inform the Supplier in advance in writing.
- 4.7. Delivery shall be provided with the lowest possible cost of transport unless otherwise stipulated by the Buyer in the order. Any additional costs that arise from the use of express mail services with the purpose of meeting the delivery deadline shall be covered by the Supplier in full.

4.8. In the case of FCA and EXW parities, the Supplier shall be obliged to inform the forwarder in due time that the goods are ready for transport and deliver to them the relevant documents, needed for timely organisation and implementation of the transport in line with the conditions of the order.

4.9. Delivery documents must be attached to all shipments, containing a detailed description of the shipment and the full code-number of the order. The Supplier shall be obliged to provide all information related to the provisions on the control of export, customs or internal trade in writing.

5. Packaging and packing

- 5.1. The Supplier shall, unless otherwise agreed, package the goods, tools, etc. professionally and mark and deliver them as customary in trade, or, at the Buyer's request, produce and present the Buyer a proposal of packaging and labelling, which the Buyer shall confirm in advance. The Supplier shall be liable for any damage due to inadequate or inappropriate packaging.
- 5.2. If the price of goods does not contain the cost of packaging, the Supplier shall be obliged to specify it on the delivery note and the invoice. In the case of returnable packaging, the Buyer shall return it to the Supplier at the expense of the Supplier.

6. Penalties

- 6.1. In the case of delay on the part of Supplier, the Buyer shall be entitled to charge penalty accounting for 0.5% of the total value of the order for each started calendar day of delay, but not more than 10% of the total value of the order.
- 6.2. The Buyer reserves the right to charge damages that exceed the value of the penalties specified under 6.1 in the case of Supplier's negligence resulting in major economic damage suffered by the Buyer.
- 6.3. In the event of early delivery of goods without the Buyer's written consent, the Buyer shall be entitled to charge the Supplier any costs arising from the warehousing and insurance of goods. Early delivery of goods shall not change the payment terms specified in the order.

7. Transfer of the risk of destruction or damage

- 7.1. The risk of destruction and damaging of goods shall be transferred to the Buyer on the day the delivery is made to the warehouse or location, specified by the Buyer. In the case of services, the risk of destruction or damage shall be transferred on the day of accepting the service.

8. Invoice and payment

- 8.1. The invoice for the delivered goods must be sent by mail to the Buyer's address or to another address determined by the Buyer upon issuing the order. Every invoice shall contain the components specified by the valid legislation in the Republic of Slovenia and the number-code of the Buyer's order. The invoice for the service must be accompanied by the takeover minutes which must be approved by the Buyer. In the case of insufficiently specified invoice, the Buyer shall be entitled to reject it and in the case of rejection it shall be deemed that the invoice has not been issued and the payment term has not started.
- 8.2. Unless otherwise agreed, payment shall be executed, as determined by the Buyer, either in 30 days, in which case a 3% rebate will be granted, in 45 days with 1.5% rebate or in 90 days in net value.

9. Assignment

- 9.1. The Supplier shall not be entitled to assign its claims on the Buyer to a third person, pledge them or make them the subject of a legal transaction without first obtaining the Buyer's approval. The Buyer shall not refuse such approval without a well-grounded reason.

10. Quality

- 10.1. The Supplier shall be obliged to enable the Buyer to check the quality of production process or service provision process prior to delivery, namely:
 - Ø when goods/services are delivered for the first time;
 - Ø when goods/services are delivered under a new product code;
 - Ø when goods have been produced or services provided under the Supplier's changed terms and conditions.
- 10.2. The notion of checking the quality of process includes the verification of production, machine capacity, devices, tools, qualification of employees and logistic processes at the Supplier under serial conditions in accordance with the Buyer's requirements.
- 10.3. The Supplier shall prove the compliance of the products by means of valid documents signed by the Buyer and the Supplier.
- 10.4. If so requested by the Buyer, the Supplier shall be obliged to submit all documents concerning the supervision of the quality of supplied goods. The Supplier undertakes to keep the documents on the supervision of quality for at least five (5) years of each or the last delivery of goods in accordance with the legal provisions.
- 10.5. No changes are allowed to be made to the contractual goods or services and the process of provision of contractual goods or services without prior written approval of the Buyer.

- 10.6. In the case of supplied goods that are subject to safety checks by authorised institutions, the Supplier shall be obliged, if requested by the Buyer, to enable access to the records on the testing and supervision of quality and provide the whole support requested by such institution *ex officio*.
- 10.7. The Supplier warrants that all its sub-suppliers are bound to comply with the provisions of this section and shall warrant for its sub-suppliers.

11. Guarantee

- 11.1. Acceptance and quality checking of goods for obvious defects shall be made in appropriate time period but not later than in eight (8) days after the delivery of goods or tools to the registered office or any other address ordered by the Buyer or after the service provided. For this time, the supplier waives the appeal arising from untimely submission of complaints concerning defects.
- 11.2. In the case of inadequate quality compared to the predetermined criteria, the complaint shall be submitted to part or the whole shipment. The Buyer shall compile minutes about the identified defects which shall be sent to the Supplier within eight (8) business days of identifying obvious defects. Opening and evaluation of the costs of complaint shall be carried out in line with the pricelist which shall be approved by the Buyer's management.
- 11.3. The Buyer shall be entitled to inform the Supplier of any hidden defects within 8 days of their identification or within 12 months of the day the goods or tools were delivered or the service provided.
- 11.4. The Buyer shall be entitled to reject the supplied and defective goods in whole or determine the method of repairing the defects. The total cost of repairing the defects or rejecting the goods in full shall be carried by the Supplier.
- 11.5. The Supplier shall give at least a 12-month warranty for its goods. If stipulated by the applicable law, the warranty period can be longer.
- 11.6. The warranty period shall begin on the day the risks are transferred to the Buyer. In the case of repairing defects that result from the complaint submitted to the Supplier, the warranty period shall start after the defects have been repaired by the Supplier.
- 11.7. The Supplier shall be obliged to repair the identified defects immediately after acknowledging the minutes referred to in 11.2 by the Buyer and particularly in urgent cases (possible production downtime, delays in the Buyer's delivery to third persons, etc.). The Buyer shall reserve the right to repair the established deficiencies by itself or with the assistance of a third person in the case of Supplier's inactivity or in urgent cases. Total related cost shall be covered by the Supplier.

12. Liability and insurance

- 12.1. The Supplier shall hold the Buyer harmless against any liability related to intellectual property or third-party rights arising from the delivery of goods, tools and services and shall warrant the Buyer continuous use of supplied goods and services, and furthermore undertakes to compensate any damage suffered by the Buyer in case a third person filed a claim on the Buyer in relation to industrial property rights or copyrights.
- 12.2. The goods delivered by the Supplier to the Buyer must be compliant with all applicable safety regulations in the territory of the EU and the USA for which the Supplier shall warrant and assume full responsibility.
- 12.3. The Supplier shall be obliged to inform the Buyer of any changes made to inbuilt materials and offer the Buyer the entire documentation needed for showing compliance of goods with the applicable provisions.
- 12.4. The Supplier shall be obliged to inform the Buyer of the possibility of occurrence or content of dangerous waste upon or after the use of delivered goods and tools and indicate the manner and possibility of safe removal.
- 12.5. Should the Buyer incur any costs as a result of the Supplier's product liability related to delivered goods or services, such costs shall be covered by the Supplier.
- 12.6. The Supplier shall be obliged to take out appropriate insurance with the insured territory being "the entire world", which shall cover potential damage claims of end-buyers against the Supplier arising from product liability. Upon the request of the Buyer, the Supplier shall be obliged to submit such insurance policy for inspection.

13. Materials and assets made available to the Supplier

- 13.1. Materials and assets that the Buyer makes available to the Supplier for the purpose of executing the order (co-operation), shall remain the property of the Buyer and shall be kept separately and managed with due diligence. The costs of use and the risk of destruction shall be carried by the Supplier throughout the period of use or until the moment the materials or assets are returned to the Buyer.
- 13.2. The Supplier may use the materials and assets that were made available exclusively for the needs of executing orders and delivering goods to the Buyer.
- 13.3. The Supplier's retention right shall be excluded when the goods are built into the end-product.

14. Confidentiality and data protection

- 14.1. The Supplier undertakes to protect the information on and the intentions of the Buyer which became known to them in relation to the order and the subject of the order, if information is involved that is not generally known.
- 14.2. Tools, drawings, documents, regulations, criteria, standards, messages and other documents submitted by the Buyer to the Supplier shall not be forwarded to third persons or used for the purposes that are not in line with the objective to fulfil the Buyer's order without written approval of the Buyer.

- 14.3. The supplier undertakes to protect, as business secret, all data, knowledge, business and technical documentation it obtained from the Buyer for the entire period of business co-operation and also at least five (5) years afterwards.
- 14.4. Upon the Buyer's request, the Supplier shall immediately return the entire original documentation sent to it during the period of business relationship and destroy all copies of such documentation.
- 14.5. Products, technological processes, technical solutions and other know-how related to the product are considered the Buyer's intellectual property which is why the Supplier shall not be allowed to forward or supply to third persons without prior written approval of the Buyer.

15. Provision of spare parts

- 15.1. Regardless of whether the business relationship between the Buyer and the Supplier still exists or not, the Supplier shall be obliged to provide spare parts to the Buyer for at least seven (7) years after the last serial delivery of a product for serial incorporation.
- 15.2. The Buyer undertakes to inform the Supplier that the serial deliveries would be discontinued at least two (2) years prior to intended discontinuation.

16. Other

- 16.1. Any disputes arising from the business relationship between the Supplier and the Buyer shall be resolved by the competent Slovene court of local jurisdiction at the Buyer's registered office. The dispute shall be resolved by applying the Slovene legislation.
- 16.2. The Vienna Convention on International Sale of Goods and the provisions of private international law.