

**General Conditions of Purchase  
of  
Flabeg Kft, Ipari út 28, 4700 Mateszalka, Hungary**

Version: August 2017

**I. General Provisions, Scope**

1. Our General Conditions of Purchase below shall apply exclusively for all deliveries and services to us. Other provisions, in particular the supplier's general terms and conditions, shall not apply, irrespective of whether or not such general terms and conditions have been expressly rejected by us. Our General Conditions of Purchase shall also apply exclusively if we, having knowledge of other general terms and conditions, accept or effect a delivery or service without reservation.
2. Our General Conditions of Purchase shall also apply exclusively to all future deliveries and services by the supplier; our General Conditions of Purchase will apply in their current version as from time to time in force and as available at [www.flabeg.com](http://www.flabeg.com).

**II. Order and Conclusion of Contract**

1. Unless our order contains an express commitment period, we shall be bound by our order for the period of one week of the date of such order.
2. Changes or amendments to our order shall only be effective if confirmed in writing by us.
3. Drafts, calculations, project models or other documents provided by the supplier preparatory to the conclusion of a contract shall be free of charge and non-binding.

**III. Delivery, Transfer of Risk**

1. Unless otherwise agreed in writing, deliveries shall be made DDP (Incoterms 2010) to our works or to another place of delivery specified by us. The risk of loss or damage of the goods shall pass upon delivery of the goods at the place of delivery. Partial deliveries require our prior written consent. Each delivery shall be accompanied by the delivery notes (in duplicate), indicating the order data, the precise description of the item and our item number. Delivery notes shall not include prices and terms.
2. To the extent reasonable for the supplier, we may demand changes to the goods ordered regarding design, quality, quantity and execution. The impacts of such changes, in particular regarding higher or lower costs and the delivery date, will reasonably and amicably be settled.

**IV. Delivery Dates, Delay in Delivery**

1. Agreed delivery dates shall be binding and exactly observed. Decisive for the observance of the delivery dates is the arrival of the goods at our works or other place of delivery specified by us.
2. Our prior written consent is required for any deliveries made outside the normal business hours (working days 7.00 am - 2.30 pm). We shall be informed in writing when outgoing goods leave the supplier's premises or the point of dispatch.
3. We will not accept deliveries prior to the agreed delivery date. We reserve the right to return goods at the supplier's expense and risk. If goods are not returned, we will store them up to the agreed delivery date at the supplier's expense and risk.
4. If, irrespective of the reason therefore, the supplier is unable to meet a delivery date, it shall promptly inform us of this inability stating the probable duration of the delay. In this case we may set the supplier a reasonable grace period for delivery.
5. In case of delivery default we may assert our statutory claims. We may, in particular, after fruitless expiry of a reasonable grace period claim damages in lieu of performance and rescind the contract. If we choose to claim damages, the supplier may prove that it is not responsible for the failure to comply with its duties.
6. In case of delivery default, we may demand from the supplier a contractual penalty (*kötbér*) equal to 1% of the delivery value of the delayed delivery for each working day, but not exceeding a total of 30% of the delivery value. We may claim further damages; in this case the contractual penalty will be accounted against such additional damage claim. In case of amicable changes to delivery dates, the contractual penalty also applies to the newly agreed delivery dates.
7. In case of continuing delivery default, substantial deterioration of the financial situation or insolvency of the supplier or, if there is an insolvency filing or insolvency grounds are met, we may rescind the contract and refuse acceptance of goods and payment.

**V. Prices, Invoices, and Payments**

1. The prices indicated in the supplier's offer or in our order are fixed prices for the delivery of the goods DDP (Incoterms 2010) to our works or to another place of delivery specified by us. The then current statutory value-added tax shall be included in the price.
2. Price increases, irrespective of the reason therefore, will only be acknowledged if these were previously accepted in writing by us.
3. Invoices shall be issued in duplicate, quoting our order data. Copies must be identified as such. Invoices may not be attached to any shipments of goods.
4. At our discretion, payments shall be made within 14 days with a 3% discount or net no later than within 30 days after delivery and receipt of the invoice.
5. In case of default for remuneration claims the interest rate shall be seven percentage points above the base rate of the Hungarian National Bank.
6. We may set off and retain payments to the extent permitted by law. Set-off and exercise of a right of retention by the supplier due to contested counterclaims or counterclaims which are not final (*jogerős*) are excluded.

**VI. Inspection and Claims for Defects**

1. Notices of obvious defects shall be deemed timely if they are notified by us within one week of delivery. Obvious defects are externally visible defects such as obvious damages in transit as well as obvious deviations of identity and quantity of the goods. Other defects will be notified by us within one week of being discovered.
2. We may assert our unrestricted statutory claims for defects. In case of serial defects (defects of the same type which occur in at least 5% of the goods delivered) we may reject the entire delivery as defective and assert the statutory claims for defects in respect of the entire delivery.
3. The limitation period for claims for defects shall be three years from delivery of the goods. Where the performance concerns a building or materials or parts which are customarily used in buildings, and where such materials or parts caused the defect, the limitation period shall be five years from delivery.
4. In the case of subsequent performance by way of replacement delivery, the limitation period shall commence anew from the time of replacement delivery, unless such appears insignificant in light of its volume, duration and costs, or unless we had to assume that the supplier did not consider being obliged to make subsequent performance but rather did so as a gesture of goodwill. The same shall apply in the case of rectification as far as the same defect or the consequences of a failed rectification are concerned.
5. If the supplier or a third party has given a guarantee (guarantee as to condition or durability - *jótállás*) our claims under such guarantee shall remain unaffected.
6. Any denial by the Supplier shall be made in writing.
7. Should the supplier fail to fulfil its legal obligation to make subsequent performance within a reasonable period as set by us, we may perform ourselves the required acts to rectify the defect at the supplier's expense, or to have such acts performed by a third party at the supplier's expense. In case of special urgency, due to which it is not possible to inform the supplier of the defect and the pending loss, and to set the supplier an, even brief, period to perform itself the acts required to rectify the defects, we may perform ourselves the acts required to rectify the defects at the supplier's expense, or to have the same performed by a third party at the supplier's expense; we will inform the supplier thereof.
8. The supplier shall bear all expenses necessary for the purpose of subsequent performance, in particular transportation costs, travel costs, labour costs and the costs of materials as well as costs of removal and subsequent installation. The place of subsequent performance shall be the place where the defective goods are currently located in accordance with their usual or agreed function.

**VII. Product Liability, Indemnity,  
Liability Insurance Coverage**

1. In the event that claims are asserted against us for infringement of product liability laws and regulations for such defects in our products

that stem from the delivery of defective goods, the supplier shall hold us harmless against such claims to the extent that the damage caused originates from the sphere of responsibility or the organisation of the supplier, and the supplier itself is liable in the external relationship.

2. Within the scope of the supplier's liability as set out in Clause VII.1, the supplier shall likewise be obliged to reimburse us for any expenses which we incur in connection with any reasonably required recall activities or other product safety measures conducted by us. The same shall apply if one of our customers is conducting a recall. We will inform the supplier - to the extent possible and reasonable - about the nature and scope of the recall activities or product safety measures to be conducted and give the supplier an opportunity to comment. Any other statutory claims shall remain unaffected.
3. The supplier shall maintain product liability insurance coverage of Euro 2.5 million per incidence of personal injury or damage to property - blanket coverage - and present proof thereof; further claims by us shall remain unaffected.

#### **VIII. Industrial Property Rights, Licences**

1. The supplier is responsible that in connection with its deliveries no third parties' rights be infringed, and shall hold us harmless against any claims by third parties. The supplier's indemnity includes any expenses we incur and any damages we suffer due to or in connection with any claims by third parties.
2. The exclusive rights of exploitation and the industrial property rights for any illustrations, drawings, product descriptions and data sheets are hereby transferred to us to the extent they have been generated or made on our behalf. We shall have the exclusive right to the exploitation and use of such results. The supplier may not use such objects outside the scope of the order without our written consent. The supplier may keep them in custody until recalled. The supplier shall mark such objects in a way that our right of ownership is indicated also to third parties.

#### **IX. Reservation of Title, Provision, Tools**

1. We will accept reservation of title to the delivered goods if requested by the supplier, provided that such reservation of title shall expire upon payment of the price for the individual goods delivered, and further provided that we shall be authorised by the supplier to resell, process and rework the delivered goods in the ordinary course of business.
2. We reserve title in all items we provide the supplier with. Any processing (*feldolgozás*) or reworking (*átalakítás*) by the supplier shall be performed for us. If the items to which we reserved title are processed together with other items which are not our property, we shall be entitled to either claim the purchase price of such goods or to acquire full title in the new thing by paying to the supplier the consideration for the supplier's work.
3. If the items we provided are inseparably commingled (*egyészülés*) with other items which are not our property, we shall acquire joint title in the new thing in the proportion of the value of the items to which we reserved title to the other commingled items at the time of commingling. If the commingling takes place in such a way that the thing of the supplier is considered to be the principal thing, it is hereby agreed that the supplier transfers to us joint title in the new thing in the proportion of the value of our items to the other commingled items; the supplier shall keep the sole title or co-title in custody for us.
4. We reserve title in any tools made on our behalf or provided by us. The supplier shall use such tools exclusively for the manufacture of the goods ordered by us and shall mark such tools as our property. The tools shall be returned upon termination of the contract for whatever reason.
5. The supplier shall maintain at its costs insurance coverage for our tools against fire, water damage, and theft at replacement value. It shall carry out in due time and at its own costs, any necessary maintenance and inspections. Any incidents shall be promptly notified to us. If the supplier culpably fails to do so, damage claims remain unaffected.

#### **X. Confidentiality**

1. The supplier shall keep confidential all documents, information and data, including samples, drawings and calculations which we, orally or in writing, mark or designate as or presume to be 'confidential' and which are made available to it or of which it gains knowledge on the basis of the co-operation ("**Confidential Information**"). Confidential Information includes, in particular, any knowledge about Flabeg's and our companies' processes and business methods in technological, commercial and other respects, knowledge of data and other information relating to the financial situation and human resources management of Flabeg as well as any information on details of project handling. The supplier shall treat the Confidential Information in the same way as its own confidential information, but at least with the due care of a prudent businessman.

2. Any disclosure of Confidential Information to third parties requires our prior written consent. Disclosure of Confidential Information to employees and agents is permitted only to the extent required for the performance of the obligations incumbent on the supplier towards us. The supplier shall also impose the confidentiality undertaking it has entered into on all persons or companies entrusted by the parties with Confidential Information or performance under the contract with us.
3. The foregoing obligations shall not apply to information (i) which had been known to the supplier before it received the same from us, (ii) which the supplier developed itself, independently, without recourse to or use of our information, (iii) which the supplier lawfully obtained from third parties who, to the knowledge of the supplier, were not subject to any confidentiality undertaking vis-à-vis ourselves and such third parties, in turn, did not acquire the information through the infringement of protective provisions in favour of us, (iv) which became known to the supplier without violation of these provisions or any other regulations on the protection of our business secrets or are or were publicly known, or (v) which the supplier must disclose based on statutory, official or judicial order. In the case of (v), the supplier shall inform us prior to the disclosure, and shall restrict as far as possible the scope of such disclosure.
4. Confidential Information shall remain our property and may be neither copied nor reproduced without our prior written consent unless this is imperative for the performance of the obligations incumbent on the supplier under the contract with us.
5. This confidentiality obligation shall survive the termination of the cooperation with the supplier.

#### **XI. Compliance, Security Information, Audit Right**

1. The supplier shall comply with all applicable statutory provisions, regulatory requirements, judicial decisions and government orders. The supplier shall in a timely manner obtain all required approvals, permits and licenses, particularly those which are required for the sale and delivery of the goods.
2. The supplier guarantees that the goods comply with all statutory provisions, regulatory requirements, judicial decisions and government orders applicable to them. In particular, the supplier guarantees that the substances contained in its goods (including packing) comply with the REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals, EC 1907/2006 as amended - "**REACH**") if applicable. In case of emerging problems regarding REACH conformity, the supplier shall inform our REACH representative via email without undue delay, particularly in case that a substance contained in one of the supplier's products lacks registration, or is on the Candidate List of Substances of Very High Concern for Authorisation (SVHC).
3. The supplier further guarantees to comply with all applicable anti-corruption laws, including (as applicable) the UK Bribery Act 2010 and the U.S. Foreign Corrupt Practices Act (FCPA).
4. The supplier shall observe and comply with the ten principles of UN' Global Compact Initiative as available at [www.unglobalcompact.org](http://www.unglobalcompact.org). The supplier shall also observe and comply with the general security regulations of Flabeg Kft. when delivering to or working at our works or another place of delivery specified by us.
5. The supplier shall notify us in case it intends to appoint subcontractors with regard to Flabeg's business. The supplier shall select such subcontractors with specific care. The supplier shall use its best efforts to ensure that subcontractors comply with all applicable statutory provisions, regulatory requirements, judicial decisions and government orders.
6. The supplier shall keep complete records in relation to the performance of the contract and shall retain such records in accordance with applicable laws but at least for a period of six years.
7. At our request the supplier shall inform us of its valid ISO certificates and shall provide us with copies thereof.
8. In the event of an infringement of the foregoing obligations of this Clause XI, the supplier shall hold us harmless against any claims by third parties. We may rescind the contract and withhold acceptance of goods and payment in the event of a reasonable suspicion that the supplier, not only insignificantly, has infringed or is likely to infringe the foregoing obligations of this Clause XI, or if not all of the required approvals, permits or licenses have been obtained, and this is not attributable to our fault or responsibility.
9. The supplier shall permit us and our third party representatives with confidentiality obligations during normal business hours to enter the supplier's premises and examine its books and records to the extent necessary to verify compliance by the supplier with the foregoing obligations of this Clause XI. We may exercise the foregoing audit right (i) promptly as soon as we reasonably suspect that the supplier has infringed or is likely to infringe the foregoing obligations of this Clause XI, or (ii) otherwise, by giving six weeks' prior notice of such exercise of audit right. Business and trade secrets are excluded from audit; paragraphs containing business and trade secrets may therefore be redacted before documents are made available.

## **XII. Place of Jurisdiction, Governing Law**

1. The exclusive place of jurisdiction, for all legal disputes arising from or in connection with the contract shall be our registered office. We may, however, also sue the supplier at the court competent for the supplier's registered office.
2. The laws of Hungary shall apply. The application of the provisions on Contracts for the International Sales of Goods (CISG - Vienna UN Convention) shall be expressly excluded.

## **XIII. Final Provisions**

1. Without our prior written consent, the supplier shall not, in part or in whole, assign its rights and obligations. We may assign our rights and obligations, in particular to affiliated companies within the meaning of point 65 of paragraph 1 of Section 5 of the Hungarian Act CXX of 2001 on Capital Markets).
2. Should any of the provisions of these terms and conditions be invalid, the validity of the remaining provisions remains unaffected thereby.
3. These General Conditions of Purchase are written in Hungarian and English languages. In the event of any discrepancy between the Hungarian and the English version, the English version prevails.