

General Terms and Conditions of Purchase

1. Scope of validity of the General Terms and Conditions

- 1.1. The following General Terms and Conditions of Purchase shall apply exclusively for orders of FALCO Zrt. (hereinafter “FALCO”) with the supplier and for the contracts materializing as a result of such orders. General terms and conditions of business or other terms and conditions of the supplier shall only apply in those cases in which they have been expressly recognized in writing by FALCO.
- 1.2. The supplier’s conditions differing from these General Terms and Conditions of Purchase are excluded, even if FALCO has not objected to them or has accepted the deliveries of the supplier without reservations aware of these conditions.
- 1.3. The following terms and conditions for the supply of products shall implicitly also apply to services.
- 1.4. As soon as these General Terms and Conditions of Purchase have been taken as a basis for a legal transaction concluded with the supplier, they shall also apply for the delivery of all future consignments and services by the same supplier to FALCO with the exclusion of any conditions of the supplier unless FALCO has used any other general terms and conditions of business or another express agreement has been made between the contract parties.

2. Orders, conveyance, transfer of assets and compensation

- 2.1. Orders shall only be binding if they are placed in writing. The written form ensures its validity if the order is placed by telefax, e-mail or in another electronic data transfer system; in these cases, the signature of FALCO is not needed. The supplier has to confirm the respective order as well as any order amendments exclusively by countersigning the order confirming document of FALCO and by returning it within six working days (including Saturday) from the date on which the order was placed. By calculating the deadline, the receipt of the confirmation shall prevail. Other order confirmations not complying with this requirement (e.g. order confirmation on the supplier’ form) are not accepted by FALCO.
- 2.2. If FALCO does not receive any order confirmation in accordance with clause 2.1. within the period of time set in clause 2.1., FALCO is no longer bound to its order and it is entitled to reject the delaying confirmation or the fulfillment without confirmation.
- 2.3. The supplier can not assign his contracting rights and obligations to a third party without the express written consent of FALCO. The procurement of all goods or predominant

part of the ordered consignments and services from a third party shall also be subject to the express written consent of FALCO. A violation of this provision shall entitle FALCO to withdraw from the contract without the supplier being able to raise any claims against it.

- 2.4. The assignment of the supplier's claims against FALCO to third parties shall also be subject to the express written consent of FALCO, and is otherwise invalid. In this case FALCO is entitled to withdraw from the contract without the supplier being able to raise any further claim against it.

3. Delivery, delay and penalty

- 3.1. Unless a provision has been made to the contrary, delivery is to be made free (including unloading) to the receiving place or place of use given by FALCO. In the case of agreed delivery from the producer, the deliveries shall be performed free of duty and packaging costs and the shipping costs shall be indicated as the last item of the invoice.

FALCO does not accept consignments cash on delivery.

Notification of dispatch is to be sent to the respective receiving site no later than 3 days before the delivery. Notification of dispatch and waybills must in particular state the order number.

The supplier is obliged to attach the relevant delivery notes to the consignments. The order number of FALCO and the number of supplier are to be stated on the delivery notes. If these preconditions are not fulfilled, FALCO is not responsible for the delays in processing and payment as a consequence thereof.

- 3.2. The agreed delivery dates are binding. For complying the delivery date, the receipt of the products at the receiving or site of use given by FALCO shall prevail. In addition, the delivery is only performed properly if the documents to be delivered together with it according to point 5.1 are inhere.

- 3.3. FALCO is not obliged to off-take premature deliveries and not agreed partial deliveries.

- 3.4. The supplier is obliged to notify FALCO without delay in writing if circumstances arise or become known to it indicating that it is unable to meet the agreed delivery deadline or there is a risk that it will be unable to meet them. The rights to which FALCO is entitled from default shall remain unaffected. In addition, the supplier shall be liable for all additional damage arising to FALCO as it was not informed as soon as possible about a feasible delay in delivery.

- 3.5. If the supplier notifies that it is unable to meet an agreed delivery deadline, FALCO is entitled to withdraw from the contract. The right of FALCO to claim damages for compensation for default of the supplier shall not be affected by the withdrawal (or by not declared withdrawal).

- 3.6. In the event of delay in delivery, FALCO is entitled either to withdraw from the contract after the inefficient expiration of the deadline (eventually the agreed additional deadline) or insist upon delivery. In the event that there is a delay in delivery, FALCO is entitled to source the products from an other supplier after the inefficient expiration of the delivery (additional delivery) deadline. The additional costs associated with this are to

be borne by the supplier unless it verifies force majeure according to the point 4. as the reason of the delay.

- 3.7. In the event of delay by the supplier, FALCO is entitled to demand 1% penalty for every working day of delay which could be 15% as a maximum.

The percentages above refer to the total price as base for the order, even if the delay affects only a part of the delivery.

- 3.8. In addition, the supplier is obliged to deliver the products by the fastest possible way at its own expenses in all cases of the delivery delay if FALCO insist on the fulfillment of the contract.
- 3.9. The enforcement of damages higher than the expense determined in the point 3.8. including the loss of profit of FALCO or the end user is not affected by the penalty regulation above. The penalty above is also due if the supplier delivered in time however the documents are missing which the supplier shall attach for the customs clearance. The penalty stays also due if FALCO declared the postponement of the delivery deadline after the notification according to the point 3.4.
- 3.10. All other or additional rights of FALCO derived from the delay of the supplier are not affected by the provisions above.
- 3.11. The additional costs (storage, etc.) incurred as a result of consignments being dispatched early, or part consignments being dispatched, shall have to be borne by the supplier unless FALCO requested specifically these services and FALCO declared specifically the payment of costs.

4. Force majeure

- 4.1. Events caused by force majeure exempt the parties to the contract from the contractual performance obligation for the duration of the disturbance and for the scope of its impact. In such a case, the contract parties are obliged to notify each other without delay and to adjust their obligations according in good faith taking the prevailing circumstances into account. If the hindrance lasts for more than two months, each contract parties are entitled to withdraw from the part of the contract not yet fulfilled..

5. Documentation and quality assurance

- 5.1. As documentation of the product, the supplier shall attach the following documents to the products which could have direct or indirect effect on the quality of the products to be produced or on the stability of the producing process in absence of other provision:
- material specifications, product tolerances
 - Hungarian safety data sheets (in absence of this, the cost of translation is to be borne by the supplier)
 - operating and processing instructions with tolerances
 - clearance certificates (especially clearance of the product in respect of health risks as well as compliance with product and/or environmental regulations – inter alia REACH).

These documents are to be updated by the supplier without specific request.

The supplier shall have to carry out a quality control suitable in manner and extent, in line with the latest state of technology.

- 5.2. The supplier is responsible for the quality control of all its products delivered to FALCO. The minimum specifications in terms of quality control could be recorded in the quality agreements. The supplier is responsible for conducting the controls ensuring the stipulated product quality.

6. Prices, invoice and payment

- 6.1. The prices stated in the order are, unless otherwise agreed in writing, fixed prices; therefore they can not be changed until the fulfillment of the delivery and service according to the order.
- 6.2. The prices include, unless otherwise agreed, costs of packaging, arising tooling cost, delivery, transit insurance and customs clearance.
- 6.3. The invoice shall be sent immediately after delivery to the address of FALCO in one copy. It shall include date, order number and the supplier number. If these conditions have not been fulfilled, the invoice is not valid. Services must be specified by identifying labour and material costs so that the corresponding invoice could be verified according to this. The supplier has to identify invoices as being either part invoices of final invoices especially in the case of services.
The consideration of FALCO depends on the delivery/service fulfilled on time and service fulfilled properly as well as on the receipt of the invoice plus all the evidence belonging thereto such as certificates, test and acceptance certificates, acceptance records and time sheets on hours spent. The partial invoices require a written agreement. The invoice address is Falco Zrt., 9700 Szombathely, Zanati u. 26.
- 6.4. If an invoice is received between the 1st and 15th of the month, it will be paid by the last day of the following month with 4% prompt payment discount, and if an invoice is received from the 16th to the last day of the month, it shall be paid on the 15th of the second following month with 4% prompt payment discount, not later than 90 days following delivery and billing at net price.
- 6.5. With regards to timeliness of payment, the date of transfer of payment by FALCO shall be applicable. If the payment date set under point 6.4. falls on Saturday, Sunday or public holiday at the registered seat of the relevant FALCO, the decisive date is the next possible bank date.
- 6.6. If there is a defect covered by warranty, FALCO is entitled to postpone payment until the defect has been properly rectified.
- 6.7. Taking receipt of delivered products and/or paying for them by FALCO shall not constitute acceptance and shall be the subject to the reservation of the invoice being checked as well as the assertion of claims under warranty and compensation claims for damages.

- 6.8. The vendor is only entitled for compensation, retention or derogation – even if it asserts counterclaims – if the counterclaims have been finally and conclusively been established by competent court of law or are undisputed.

FALCO can offset all its own claims as well as claims the demands of associated companies of FALCO and of the Kronospan companies in the sense of 178 § 17 point of the XCII Law of taxation from 2003 against claims of the vendor.

7. Warranty (Assurance / Guarantee)

- 7.1. FALCO checks the consignment received from the supplier at its reception and it notifies obvious defects within 14 calendar days.

The other, not obvious and hidden deficiencies which FALCO or its customers detect only during the processing or proper use of the delivered products, will be notified to the supplier within 14 calendar days of such defects being established by FALCO.

- 7.2. The supplier guarantees that the delivered goods and the service performed are free of defects. It especially includes that they comply with the documents such as drawings, descriptions, duties record book, specimen, specification, etc. on which the order/assignment are based and that they comply with the respective statutory regulations of the country of destination of the products or otherwise those of Hungary, with the regulations and the state-of-the-art technology. If the supplier contracts assurance (guarantee) to the products delivered by it, the 248§ of Hungarian Civil Code is valid.
- 7.3. The supplier guarantees that no defects occur within the warranty period irrespective of whether a defect already existed at the time of contracting the assurance or only become apparent subsequently. The warranty period is 3 years from the point in time at which the products were delivered to the receiving or user site determined by FALCO. If the supplier delivers production material to FALCO which is earmarked for installation in the final analysis in the end product, the warranty period begins once the final product has been delivered to the final customer.
- 7.4. The warranty claims shall become time-barred upon expiry of a period of 3 years from delivery of the products unless a longer mandatory eligibility date is valid according to the legal regulations (Civil Code 308/A§).
- 7.5. In case of defects, FALCO is entitled at its discretion to demand a supplementary delivery or to have a repair carried out. In both cases, the supplier bears all costs connected. In the case of supplementary delivery, the supplier has to take back the defective parts at its own expense.

In the event that there are defects, the limitation period is extended by the period of time between the notification and the rectification of the defect.

If FALCO chooses to have the defect rectified and the supplier is not able to execute this, FALCO could demand on a new delivery/service free of charge for which the same rights are similarly valid or additional requirements could be enforced by law.

- 7.6. If the supplier fails to duly provide subsequent delivery or duly rectify the defect within a reasonable deadline, FALCO could buy in a replacement of the defective piece from a third party or have the defect rectified by a third party. In both cases, the supplier bears all the costs incurred.
- 7.7. In urgent cases, FALCO is also entitled to the right under point 7.6 according to a prior agreement with the supplier if the later does not have any delay.
- 7.8. If incidental expenses arise for FALCO during the delivery of defective pieces because of recall action, follow-up of stocks, removal and replacement, return costs and other shipping costs, the supplier is obliged to compensate them.
- 7.9. FALCO's other rights or rights going beyond this which could be conducted from the law (e.g. warranty, product liability or compensation) or from the prior warranty promissory note, are not affected by the regulations agreed in the General Terms and Conditions of Purchase.

8. Packing and environment

- 8.1. The given prices include the packing standard in trade. This packing shall be made in such a way that the products will not be damaged to the stipulated place of destination under normal transport conditions.

9. Hazardous goods and preparations

- 9.1. The legal regulations are to be observed by the supplier for goods, materials and processes subject to special treatment inter alia with regard to transport, packaging, marking, storage, handling, manufacture and disposal as a result of laws, decrees and other regulations as far as their composition, their impact on the environment.
- 9.2. In this case, the supplier provides the necessary papers and documents to FALCO already before the order confirmation. In another case, FALCO is not bound to the order despite its confirmation. Especially the dangerous and water threatening substances are allowed to deliver only after the EG- Safety Data Sheet and the permission of FALCO. If the requirements according to point 9.1. change during the delivery time, the supplier send the papers and documents corresponding to the changed requirements without delay.
- 9.3. FALCO is entitled to send the dangerous and water threatening substances which it received for experimental purposes back to the supplier. The cost of delivery is borne by the supplier.
- 9.4. The supplier is responsible for every damages arising from the non-compliance with the existing legal regulation.

10. Product liability

- 10.1. If a claim is enforced against FALCO because of the default of a product produced by itself according to the domestic and foreign law or released otherwise, either because of product liability, or because of a claim based on other reason or because of the violation

of the official safety standards, the supplier is bound to exempt FALCO at first notice from the claims of a third party and to supplement every services performed by FALCO to a third party if the default of the FALCO products could originate in the product delivered by the supplier. Also the costs are included which arise for FALCO because of recourse to lawyer consultation or otherwise relating to the protection of product liability claims. If FALCO is liable for a burden of proof concerning its relationship to the aggrieved party, this burden of proof is valid also for the relationship between FALCO and the supplier.

- 10.2. In the case of recourse according to the point 10.1, the supplier will provide all necessary information and assistance to FALCO according to its possibilities.
- 10.3. If FALCO is bound to execute a recall action because of the default of the product delivered by the supplier or such a recall action is needed because of the health and the threatening of human life, the supplier is bound to bear the arising costs.
- 10.4. The supplier is bound to effect an adequate product liability insurance on covering the risks of product liability. At the request of FALCO, the insurance coverage shall be verified without delay.

11. Trademark rights

- 11.1. The supplier guarantees that the consignment and the use according to contract is free from trademark rights (especially from patent law, brand names, utility model and copyrights) of third persons and the use according to contract of the object of delivery does not violate the trademark rights of third parties. It is also valid if these trademark rights were proclaimed in other states than Hungary. The supplier exempts FALCO and its customers from the claims of third parties originating from any trademark rights and bears all costs which arise in respect to this for FALCO. In case of suspected trademark rights violation, FALCO has the right to permit to utilize the violated trademark rights at the costs of the purchaser.
- 11.2. It is not valid if the object of delivery was made according to the drawings, models or other detailed data of FALCO and the supplier did not know or it does not have to know that it violates the trademark or copyrights of third parties.
- 11.3. The contracting parties are bound to inform each other without delay about the violation risk of which they become aware or in the case of suspected violation. They cooperate in agreement under good will in respect to the claims possibly enforced.

12. Ownership reservation

- 12.1. The extended or prolonged ownership reservation of the supplier is not acknowledged by FALCO and it is invalid. Otherwise, the simple property reservation agreed with the supplier is only valid in the case if it is effective until the fulfillment of payment obligations in the contract.
- 12.2. FALCO reserves the ownership or industrial property right / copyright for the manufacturing tools (especially for pieces, raw materials, tools etc.) made available for the supplier and for the sent documents, samples, models, data etc. The supplier

obligates itself that it marks the manufacturing tools made available by FALCO in an appropriate, recognizable way. It preserves them free of charge with care of a good owner and it assures them at a new value against fire, water and theft to the usual extent at its own cost. The supplier informs FALCO about all incidents concerning the ownership of its manufacturing tools and it verifies the availability of the respective insurances on request. The supplier bears the costs of the usual maintenance and it performs the optionally usual maintenance work in normal intervals at its own cost.

- 12.3. The processing, reconstruction or incorporation of the manufacturing tools made available by FALCO are performed for FALCO. If the manufacturing tools of FALCO are processed, reconstructed or combined or incorporated inseparably with the tools of the supplier or a third person, FALCO acquires the joint ownership of the newly generated tool in proportion to the value of its own tool to the new tool. If this processing, reconstruction, combination or incorporation is performed in a way that the tools of FALCO becomes the pieces of one of the main object of the supplier, the supplier shall allow a joint ownership on the main tool for FALCO in proportion to its value to the new tool. The supplier retains in all cases the joint ownership part of FALCO for FALCO.
- 12.4. The supplier uses the manufacturing tools, documents, samples, models, data etc. made available by FALCO exclusively for the production of the goods ordered by FALCO. These shall be submitted on the request of FALCO at any time free of charge without delay if they are not any more needed for fulfilling the contract made with FALCO. If the supplier has a joint ownership on the manufacturing tool, the submission is made crediting the joint ownership part of the supplier

13. Subcontractors / employees from non-EU states

- 13.1. The prior written approval of FALCO is needed to the application of subcontractors. The supplier shall determine all obligations of the subcontractor and ensure the compliance of those which are contracted with FALCO. If the suppliers or subcontractors hire employees who come from non-EU countries, the supplier shall submit the respective work permits to FALCO before the work begins.
- 13.2. The supplier could not inhibit the subcontractor – especially through an exclusive agreement – to make a contract with FALCO about other deliveries / services. If the supplier violates its obligation, FALCO has the right to withdraw the contract and/or demand compensation because of non-performance.

14. Implementation / security / health- and environmental protection

- 14.1. The supplier shall take into consideration the acknowledged technical regulations and the applicable legal, regulatory provisions and the own orders of FALCO. Especially the machines and the technical work tools shall be delivered with instructions according to machine regulation, an EU declaration of conformity and particularly with CE-sign.
- 14.2. The supplier shall take into consideration the prevailing delivery and building provisions of FALCO for machines, electrical and management engineering, the corrosion protective directives of FALCO and the directives and building provisions of FALCO for small steel and steel works and its device marking system for heat and energy

supplying devices and the factory standard named “Implementation of stairs, ladders, traffic routes, work places etc.” of FALCO. If the provisions above interfere with compelling legal regulation or contractual agreements or they do not comply any more with the state of technology, the supplier shall inform FALCO without delay about it and they shall agree the further proceedings.

If the supplier delivers dangerous material in respect of the XXVth Act from 2000 and the regulation 44/2000 EüM (dangerous material regulation), it shall make available the EG – Safety Data Sheet or a similar document before the delivery. The supplier is forbidden to use carcinogens.

If waste is generated during the deliveries / services of the supplier, the supplier utilizes them at its own cost or disposes them according to the waste management law. The ownership, the danger and waste management law liability will vest in the supplier at the time when waste is generated.

15. Assurances

- 15.1. The supplier shall have a liability insurance coverage at least for an amount of 5 million EUR as minimum damage for the period of the contract and the warranty and it shall verify it at request. If otherwise according to law the minimum amount of insurance shall be taken into consideration, they are valid. The supplier shall assure all deliveries directly managed to FALCO - excluding the material transport of assignment contracts which the supplier performs with the tools of FALCO. This liability insurance shall cover personal, material and financial losses.
- 15.2. In case of installation activities, the supplier obligates itself above the liability insurance also to effect an adequate installation insurance at least in an amount of 10 million EURO, in which also the object properties of FALCO shall be taken into consideration.
- 15.3. The obligations above affect the supplier and also the subcontractor assigned by it. The supplier obligates itself that it obligates appropriately also the subcontractor employed by it.

16. Confidentiality

- 16.1. The contracting parties obligate themselves that they manage all orders and the related information and commercial and technical documents as business secret. Especially the received illustrations, drawings, calculations, quality directives, samples and similar objects are to be kept strictly private. The multiplication and forwarding of private information is allowed only within the framework of operational needs. It could be available for third parties only after prior written expressed consent.
- 16.2. The supplier obligates itself that it obligates its sub-suppliers and subcontractors for confidentiality with the same conditions. The supplier could use the private information communicated by FALCO exclusively according its function.
- 16.3. The confidentiality obligation exists also after the ending of the supplier relationship until the confidant information becomes public. The burden of proof charges the supplier for the case of publication. The supplier is bound to submit to FALCO after

completion of the supply relationship the business secrets known by it if they are embodied or they are found on an electronic storage medium. All business secrets shall be removed securely from the data processing system of the supplier. The multiplication shall be disturbed in any form in order to make impossible the reconstruction.

17. Place of implementation, law, court applicable

- 17.1. The place of implementation of the delivery obligation of the supplier is the receiving or user site named by FALCO. The place of implementation of liability of FALCO is the headquarters of FALCO (vid. 6.3).
- 17.2. All contractual and non-contractual contacts of the parties fall under the substantive law of Hungary. The application of the unified UN sales law (CISG) – if it is allowed -, or the application of the Hungarian International Civil Law is excluded.
- 17.3. The exclusive court place of all moot points arising from the contract or related to it and about its formation is the headquarters of FALCO. FALCO could sue the supplier otherwise at its business headquarters. The above written is not valid if an other exclusive jurisdiction of court – imperiously compulsory according to law – exists.
- 17.4. The supply clauses usual in trade shall be interpreted according the valid Incoterms 2010 – ICC Paris if it is applicable for them.

18. Final provisions

- 18.1. Remuneration does not belong to the development of tenders, plans, costs calculation etc.
- 18.2. If a supplier stops its payments or bankruptcy proceedings are initiated about its assets, FALCO is entitled to withdraw the contract in respect of the parts not yet completed of the contract.
- 18.3. The scope of validity of these provisions is not affected if several provisions are invalid or become invalid. The contracting parties are bound to agree in a new provision which is closest to the scope pursued by the null provision. Its equivalent is valid also in the absence of contractual provisions.
- 18.4. The supplier shall submit the declaration of origin according to law or freight traffic certificate on the contracting area of European Community in the respective valid form. If the declaration of origin or freight certificate could not be engrossed, it shall be referred to at the latest in the confirmation of order. In this case, FALCO is entitled to withdraw the contracts without that the supplier could establish a claim against it.
- 18.5. In the case of substantive differences of these General Terms and Conditions of Purchase from the certain contract, the provisions of the single contract shall be applied in case of doubt.
- 18.6. We agree on these Terms and Conditions of Purchase in Hungarian, German and English language. In case of differences, the Hungarian text prevails.