

GENERAL CONDITIONS FOR SALES OF GOODS OF PREDILNICA LITIJA d.o.o.

herein after referred to as “General Conditions”

Litija, April 1st, 2016

I. General Provisions

Any sale of goods made by Predilnica Litija shall be governed by these General Conditions, which are a part of every Contract made by Predilnica Litija as the Seller and the respective Buyer, unless otherwise agreed upon between the Parties. Any unilateral statement made by any Party which is contrary to these General Conditions or the Contract shall be null and void even if not previously opposed to, except if clearly accepted and confirmed in writing by both Parties.

II. Transport and Delivery

2.1. Means and mode of transport shall be determined by the Seller, unless otherwise agreed by the Parties.

2.2. Obligations of the Parties regarding delivery of goods shall be governed by the current version of Incoterms.

2.3. The ICC Force Majeure (Exemption) clause and the ICC Hardship Clause, both defined in ICC Publication No. 650 are a part of these General Conditions.

2.4. Irrespective of Article 2.3, delivery time shall be prolonged by circumstances that are beyond the control of the Seller including but not limited to difficulties in transport, delays of transport companies, delays of Seller's suppliers etc.

2.5. The Seller has the right to terminate the Contract in the event of delay caused by circumstances described in article 2.3 and 2.4. which lasts more than 8 weeks.

2.6. The quantities delivered may differ from the quantities defined in the Contract by 10%.

2.7. The Buyer shall take delivery of the goods ordered and confirmed in accordance with the Contract and these General Conditions. In the case of delay in Buyer's acceptance of the goods (irrespective of the liability of the Buyer), the Buyer shall reimburse the Seller for all costs and damages arising out of the

above-mentioned delay in taking delivery (storage costs and other similar costs).

2.8. If part-delivery or sale by specification is agreed, whereby the quantity of each part-delivery or both the quantity and type of the goods respectively are to be determined or specified by the Buyer, the Buyer shall inform the Seller of the quantity of the goods of the respective part-delivery in writing or in case of specification, shall submit a written specification of the quantity and the type of the goods, by the 5th day of each calendar month for deliveries which are to be made in the following month. After receiving the written notice about part-delivery or written specification from the Buyer, the Seller shall inform the Buyer of the delivery period. If the Seller does not receive the notice about part-delivery or specification from the Buyer in the above-mentioned due date, the Seller is not liable for any delay in delivery. If the Buyer does not send the written notice about part delivery or the written specification to the Seller until the final delivery period of the Contract, nor in a reasonable time after the additional request of the Seller, the Seller may terminate the Contract and demand compensation of damages.

III. Prices and Terms of Payment

3.1. Prices are per 1 kg of commercial weight CPT Buyer, loaded onto freight-wagon or cargo vehicle unless otherwise agreed by the Parties.

3.2. None of the prices include taxes.

3.3. If there is reasonable doubt as to the Buyer's solvency or decrease of the insurance coverage, the Seller has the right to terminate the Contract or demand additional collateral, particularly advanced payments. The type of additional collateral is at the discretion of the Seller. The Seller shall be released from his obligation to deliver the goods, if the Buyer for any reason suspends payments, materially exceeds payment terms for the goods already delivered or with regard to any Contract concluded with the Seller, or if insolvency proceedings against the Buyer is instituted.

3.4. The day of payment shall be the day when the sum of payment is on bank account of the Seller. Each party bears its own bank charges. In the case of delay in payment, the Seller shall charge interest at the rate of 1 % per month.

3.5. Without the approval of the Seller, the Buyer has no right to reduce the amount of payment.

IV. Reservation of Title

4.1. Until full payment is made, the Seller shall reserve title of the goods delivered. The Buyer may not pledge the goods, nor give them to a third party as collateral.

4.2. If the goods are processed before full payment is made, the Seller becomes the co-owner of the product in the amount of the proportionate share of the yarn.

4.3. The Buyer shall inform the Seller when the third party enforces any rights on the goods subject to reservation of title.

4.4. The Buyer shall insure the goods against the usual risks of loss and damage as long as they remain the property of the Seller.

V. Packaging

5.1. The Seller as a socially responsible and environmentally friendly company undertakes that it will take back the packaging (palettes and cardboards). The Buyer agrees to hand over the aforementioned packaging to the authorized carrier in 60 days from the date of the supply.

5.2. The Buyer shall inform the Seller when the packaging is ready for the return. The Seller shall take over the packaging in 14 days after the receipt of the notice of the Buyer.

VI. Quality and Complaint

6.1. The Buyer shall inspect the goods (or have them inspected) in the customary manner and procedure within 5 days after receiving the goods, and inform the Seller of any manifest defects, otherwise the Buyer shall lose the right deriving from warranty against factual defect. Defects that can be noticed in the customary manner and procedure shall be deemed as manifest defects. Manifest defects include the following: quantity and quality of goods not matching the specifications on the documents, nonconforming packaging, inadequate bobbins, tubes or abnormal shading of the yarn, and the like.

Defects that cannot be noticed during a customary inspection upon receipt of goods are

latent defects. The Buyer must inform the Seller of any latent defects within 8 days term after detection, otherwise the Buyer shall lose the right deriving from warranty against factual defects. Notice of defect shall not release the Buyer from his payment obligation. The notice shall be in writing and shall state the type or nature of defects and shall be addressed to the salesperson authorized in the Contract. In addition the following obligatory elements shall be stated in the notice: date and number of the invoice and the lot number. The Buyer shall also submit a sufficient sample of fabric or knitting which will show the nature and frequency of defect by regular mail. Moreover, the Buyer shall also submit the original (partial or complete) bobbin of the yarn used. The Buyer must enable the appointed representatives of the Seller to inspect the defected product at the Buyer's production/storage premises and ensure an interview with the person responsible. Should the Buyer fail to act in accordance with the aforementioned procedure, the Seller will not be held liable for any defects whatsoever.

6.2. The Seller shall not be held liable for defects that appear 3 months after the delivery.

6.3. The buyer explicitly waives the right to claim damages for loss that exceeds the contractual value of delivered goods.

6.4 The Seller shall not be liable for damages if the Buyer does not separate individual lots delivered by the Seller during the processing, or when unsuitable technological equipment, processing and finishing are used.

6.5. The Seller complies with European REACH (Registration Evaluation Autorisation and Restriction of Chemicals) legislation. The Seller's products are articles in the sense of REACH Regulation (EC) No. 1907/2006. If not agreed otherwise the SVHC list valid on the day of the conclusion of the Contract is to be applied with regard to the potential Buyer's request regarding REACH.

6.6. The Seller shall not be held liable for any yarn colour deviations unless it results in significant quality reduction of the finished product.

6.7. Yarn technical specification does not specify Buyer's finished product's application, therefore the Seller does not guarantee for purposes of end application of the customer's finished product.

6.8. We shall not be held liable for any contamination or uneven colouring and rustic in yarn of natural fibres.

VII. Jurisdiction and Governing Law

7.1. All disputes arising out of or in connection with this General Condition or the Contract shall be settled by a court at the registered office of the defendant.

7.2. Any matters not regulated under the provisions of these General Conditions and the terms and conditions contained herein and the Contract shall be governed by Slovenian law with the inclusion of the United Nations Convention of 11 April 1980 on Contracts for the International Sale of Goods.