

STANDARD CONDITIONS OF CONTRACT ("the Conditions") IN RESPECT OF
BODYCOTE VÄRMEBEHANDLING AB AND
BODYCOTE YTBEHANDLING AB

1. Interpretation

In these Conditions the following expressions shall, unless the context otherwise requires, have the following meanings:

"Company" means Bodycote Värmebehandling AB and/or Bodycote Ytbehandling AB.

"Contract" means any contract formed between the Customer and the Company for the application of a Process to Goods.

"Customer" means the person, firm or company placing any order with the Company for a Process.

"Goods" means the goods (or any part of them) to which Processing is to be applied by the Company pursuant to the Contract.

"Hazards of Processing" means including, but not limited to:

- i. In respect of the Processes detailed at i. of the definition below: cracking; surface appearance; distortion and failure to respond to the Process; and of the effects of hardenability; sharp corners; blind holes; segregation; manufacturing history; and section size.
- ii. In respect of the Processes detailed at ii. of the definition below: distortion; thread damage; discolouration; tempering back hardness; overspray; chemical attack to base material; mechanical damage; embrittlement of high tensile steels; and contamination of Goods in process.

"Process" and "Processing" means as appropriate:

- i. Heat treatment, surface treatment, blasting, tumbling, brazing, electron beam welding, any associated processes and any other treatment or process applied by the Company.
- ii. Metallurgical coatings and finishes, thermal spraying, spray and dip coatings, any associated processes and any other treatment or process applied by the Company.

"Suitable for Processing" means the Goods must be in a clean condition, consisting only of the specified material free from any oil, grease, dirt, chemical or other contaminating matter when handed to the Company or its agent for Processing.

2. General

2.1 Unless otherwise expressly agreed in writing by a director of the Company these Conditions are the only terms on which the Company accepts any order or Goods for Processing. These Conditions apply to all orders, whether or not these Conditions were specifically referred to at the time of ordering, to the exclusion of all other terms and conditions including any contained in an acceptance of a quotation, a form of order or any other document issued by the Customer. Further, no condition, statement or representation contained in any advertisement or brochure or in any trade or promotional circular or other literature, nor the terms or conditions of any trade association or other body, or which would or might but for this Condition be implied

or incorporated by custom or trade, usage, negotiations, course of dealings or otherwise shall be deemed to be incorporated in the Contract and all of the same are hereby expressly excluded from the Contract. Delivery of the Goods to the Company or collection of the Goods by the Company (as the case may be) shall be deemed to be conclusive evidence of the Customer's acceptance of these Conditions.

2.2 The Company and the Customer acknowledge that these Conditions have been given due consideration and that they are considered fair and reasonable by the Company and the Customer.

2.3 Each order placed by the Customer for Processing by the Company shall be deemed to be an offer by the Customer to purchase Processing services subject to these Conditions.

2.4 No order placed by the Customer which the Company has accepted may be cancelled or varied by the Customer except with the written agreement of the Company. The Customer shall be liable for all losses (including loss of profit, costs, damages, charges and expenses) suffered or incurred by the Company as a result of such cancellation or variation.

2.5 Without prejudice to Conditions 2.6 below, any representations to be binding upon the Company must be specifically agreed to in writing by the Company.

2.6 The Customer acknowledges that save in the circumstances provided for in Condition 2.5 above and subject to Condition 11.8 below, no representation whether oral or in writing has been made by any of the Company's agents representatives or employees which has led the Customer to enter into the Contract.

3. Quotations

3.1 Unless previously withdrawn, the Company's quotations are only open for acceptance within three months from the date thereof and, where given without sight of the Goods, are provisional only.

3.2 The Company may make any changes to the specification, materials or finishes which are required to conform with any applicable safety or other statutory requirements.

3.3 After examination of samples of the Goods, the Company has the right to amend any quotation or decline to accept Goods for Processing or not to proceed with any order.

4. Ownership

The Customer hereby warrants that it is either the owner of the Goods delivered to or accepted by the Company for Processing or that it is authorised by the owner of the Goods to accept these Conditions on such owner's behalf.

5. Transportation of Goods

5.1 The Company and the Customer shall agree the terms of delivery based on Incoterms 2010. Unless otherwise agreed deliveries by the Company shall be made EXW the Company's premises and deliveries of Goods from the Customer to the Company shall be made DDP.

5.2 The Customer shall be responsible for the adequate packing of the Goods to protect them in transit against weather conditions, impact damage and other transport risks and for the provision of suitable stillages, pallets and other containers. The

Customer shall use such packing materials as are suitable for re-use by the Company where the Company is responsible for delivering the Goods to the Customer. No warranty whatsoever is given by the Company that packing materials, cases, cartons and pallets will be returned to the Customer but wherever possible these will be returned to the Customer with the Goods.

6. Variation in Prices

6.1 In the event of suspension of work on the Goods at the Customer's request or as a result of the inadequacy or inaccuracy of the Customer's instructions, any price quoted by the Company may be increased to cover any additional costs or expenses incurred by the Company as a result thereof.

6.2 If the Customer does not indicate to the Company plainly and correctly the type of Goods, including all relevant specifications (including, without limitation, make, brand and grade) of the Goods and all materials in the Goods to which Processing is to be applied and/or fails to give to the Company correct and complete instructions as to the Processing, including the specification required, the Customer shall be liable for any additional costs or expenses incurred by the Company and any loss of profit, loss of business or loss of use of plant and equipment suffered by the Company whether as a direct or indirect result thereof.

6.3 The Customer shall be liable for all costs, charges and expenses whatsoever in connection with the opening, advising, confirmation, negotiation and operation of any letter of credit, the transfer of cash to the Company and/or the release of any shipping documents.

6.4 The cost of any variation or modification to the order requested by the Customer after the date of the acceptance of order shall, if such variation or modification is accepted by the Company under Condition 2.4 above, be borne by the Customer.

7. Suitability of Goods for Processing

7.1 It shall be the Customer's responsibility to ensure that the Goods are Suitable for Processing. If at any stage the Company in its sole discretion considers that the Goods are not Suitable for Processing (or, if Processing has begun, for further Processing) whether in accordance with the Company's quotation or otherwise, the Company will advise the Customer as soon as is reasonably practicable and shall be entitled to discontinue Processing forthwith. The Company shall thereupon notify the Customer of the Company's outstanding charges in respect of Processing carried out up to the date of such discontinuance and the Customer shall pay the same within 30 days of the date of such notification. Unless the Company agrees to arrange transport the Customer will collect the Goods at its own expense and risk from the Company's works as soon as possible following notification of the discontinuance of the Processing.

7.2 The Customer undertakes that its Goods will not damage the Company's equipment in any way during the Process properly carried out by the Company. The Customer undertakes that the Goods are Suitable for Processing, safe with respect to danger of toxicity, combustion, pollution or other harmful effect. The Customer hereby agrees to indemnify and hold the Company harmless from and against any loss, damage or injury (including consequential loss and loss of profit) caused to the Company's equipment, property, goods, premises, personnel, sub-contractors or

agents or of any third party or otherwise suffered as a result of the Customer's failure to comply with the provisions of this Condition.

7.3 If the Customer is in any doubt as to the suitability of its Goods for subjection to the Processing it should discuss the matter with the Company in advance but no representations by the Company shall limit or discharge the responsibility of the Customer under this Condition.

8. Carrying Out of Work

8.1 Any times quoted for Processing and/or for collection and/or delivery of the Goods are estimates only and time shall not be of the essence in respect thereof.

8.2 Any times quoted for Processing shall run from receipt (at the place of Processing) by the Company of the Goods and of all information required by the Company in order to put the Processing in hand.

8.3 In any event, the time for completion of the Processing shall be extended by a reasonable period if completion of the Processing is delayed as a result of the nature or lack of instructions from the Customer, or by any cause beyond the Company's control.

8.4 The Company may, at its sole discretion, undertake to give priority in carrying out a particular Process. A surcharge may be imposed by the Company for the carrying out of priority work. Details of these arrangements will be issued by the Company on request.

9. Force Majeure

9.1 If the Company is in any way prevented from or delayed in performing any of the Company's obligations under the Contract by reason of decisions or actions of any Government or other authority, war or threat of war, fire, explosion, material damage to or failure of plant and equipment, severe weather conditions, materials shortages or inadequacies, interruption or reduction in communications, delay or reduction of availability of transport, power or utilities, failure or delay in obtaining materials required for Processing, any strikes, lock-outs or industrial disputes (whether or not involving the Company's work force), accident or any other cause beyond the Company's control, the Company shall be entitled at the Company's absolute discretion partially or totally to suspend performance of the Contract for a period equal to the delay caused by such events and shall not be liable in any way for such failure to perform its obligations under the Contract or for such delay.

9.2 If the period for performance of the Contract is extended as a result of such suspension by more than one month the Contract may be terminated (as regards any Goods which have not undergone Processing not completed for delivery) by the Company or the Customer by written notice to the other but such termination shall be without prejudice to the Company's rights to require the Customer to take delivery of and/or collect any Goods and to pay for the Processing of such Goods as are or may be available for delivery and/or collection and without prejudice to any rights which may have accrued to either party prior to the date of such termination. Furthermore if the Company is unable to meet the demands of any Customer as a result of any such event the Company may allocate the available Processing capacity among its Customers as the Company in its absolute discretion considers fit and without incurring any liability whatsoever to any Customer.

10. Payment Terms

10.1 Unless otherwise agreed in writing by the Company, payment in full in cleared funds of all sums due under the Contract shall be made in Swedish Krona (or such other currency as the Company shall specify) within 30 days of the date of the invoice issued by the Company.

10.2 Time for payment shall be of the essence. Without prejudice to the Company's other rights and remedies, interest shall be payable on all overdue payments in accordance with the Swedish Interest Act (Sw: Räntelagen) and in default of payment being made on time the Company may: suspend any further Processes being carried out for the Customer; alter or withdraw credit terms; and amend terms, prices or service levels.

10.3 Any payments due under the Contract shall be made in full without any deduction whether by way of set off, counterclaim or otherwise unless otherwise agreed by the Company in writing or unless the Customer has a valid court order requiring an amount equal to such deduction to be paid by the Company to the Customer.

10.4 Each Contract shall be subject to the Company being satisfied as to the Customer's credit status both prior to and during the period of the Contract. If the Company becomes dissatisfied with the Customer's credit status at any time, the Company may suspend performance of the Contract or withhold delivery of the Goods until the Customer satisfies the Company as to the Customer's creditworthiness or gives the Company such security as the Company shall deem appropriate.

11. Duties and Responsibility

11.1 While every effort will be taken to Process the Customer's work correctly, Customers are reminded of the possible Hazards of Processing (which hazards can occur even though the Processing is properly carried out). The Customer hereby acknowledges that the Contract is entered into in full knowledge, awareness and acceptance by the Customer of such Hazards of Processing.

11.2 The Company warrants that it will carry out its obligations under the Contract in good faith and with reasonable care and skill and in accordance with the agreed specification. This warranty shall be the only warranty given in respect of such obligations. Subject to Condition 11.8 below, all other conditions and warranties expressed or implied by statute, common law or otherwise are hereby excluded.

11.3 Subject to Condition 11.8 below, the Company shall not in any event be liable for any breach of the warranty given in Condition 11.2 above or for any breach of the Contract or breach of statutory duty or tort (including but not limited to negligence) misrepresentation or otherwise including, without limitation, for any damage to or loss of Goods as a result of Processing by the Company:

11.3.1 unless the methods employed in manufacturing the Goods prior to Processing by the Company have taken into account the current state of knowledge in the Processing industry and the Customer has ensured that the Goods are made from the correct material and designed to appropriate engineering standards with final machining allowances and have not been subject to any process or treatment by any person other than the Company which renders them not Suitable for Processing and full information concerning the Goods as referred to in Condition 6.2 above has been supplied to the Company before the commencement of Processing; and

11.3.2 unless the Customer checks the quantity and quality of Goods delivered to or collected by the Customer forthwith and notifies the Company in writing of any alleged shortfall of, damage to, or non-compliance with specification of the Goods or incorrect Processing of the Goods within 14 days thereafter in the case of defects which are reasonably obvious on inspection; and

11.3.3 unless the Customer thereafter affords the Company a reasonable opportunity to inspect the relevant Goods and if so requested by the Company returns the allegedly damaged Goods or the Goods the subject of allegedly incorrect Processing to the Company's works at the Customer's expense for inspection to take place there; and

11.3.4 unless the Customer has made no use of the Goods alleged to be damaged or the subject of allegedly incorrect Processing after it discovers or ought reasonably to have discovered that such Goods were damaged or the subject of incorrect Processing; and

11.3.5 unless the Goods have not been subjected to misuse or improperly or incorrectly stored after delivery to or collection by the Customer; and

11.3.6 unless and only to the extent that the allegedly damaged Goods or the Goods the subject of allegedly incorrect Processing exceed 3% of each batch (losses of up to 3% of each batch being accepted as normal in the Processing industry and in processing large quantities of small parts).

11.4 In the light of the great disparity between the value of the Goods undergoing Processing and the charge for Processing made by the Company, the liability of the Company:

11.4.1 for any breach of the warranty given in Condition 11.2 above; and

11.4.2 for any breach of the Contract; and

11.4.3 for any breach of statutory duty or tort (including but not limited to negligence) misrepresentation or otherwise,

is limited to re-Processing the Goods if re-Processing will achieve the requirements of the Contract or, if not, a payment of up to twice the charge made for Processing of the relevant Goods under the Contract which are the subject of a claim. In the case of breach of warranty given in Condition 11.2 above, instead of refunding or waiving the whole or the appropriate part of the charge for Processing the Company may at its option take such steps as the Company considers necessary so as to comply with the said warranty and thereupon this shall be the Company's only liability in respect of such breach of warranty.

11.5 The Company shall not under any circumstances, whether in contract, tort (including negligence), breach of statutory duty or otherwise be liable for any loss of profit, loss of use, loss of business, loss of market, loss of contract, loss of revenue, loss of anticipated savings or loss of goodwill (whether arising as a direct loss or an indirect loss) or for any indirect or consequential loss, injury or damage of any kind whether caused by negligence or otherwise howsoever and whether or not such loss has been suffered by the Customer or by some third party to whom the Customer may be liable.

11.6 Subject to the other provisions of the Conditions any claim by the Customer against the Company shall be made in writing and notified to the Company within 365 days of completion of the Processes under the Contract by the Company to the Customer.

11.7 Goods are and remain at all times whilst at the Company's works and during transportation to and from the Company's works at the entire risk of the Customer who shall be responsible for effecting and maintaining its own insurance cover in

relation thereto, it being hereby acknowledged by the Customer that the charges of the Company do not include insurance.

11.8 Nothing in these Conditions shall exclude or restrict the Company's liability:

11.8.1 for personal injury or death resulting from the Company's negligence;

11.8.2 for any matter which it would be illegal for the Company to exclude or to attempt to exclude its liability; or

11.8.3 for fraud or fraudulent misrepresentation.

11.9 On termination of the Contract, howsoever caused, the Company's rights contained in this Condition 11 shall remain in effect.

11.10 The Customer acknowledges that the above provisions of this Condition 11 are reasonable and reflected in the price which would be higher without those provisions and the Customer will accept such risk.

12. Sub-Contracting and Assignment

12.1 The Company may sub-contract the whole or any part of the Contract (unless specifically instructed otherwise in writing by the Customer, at or prior to the time the Contract is made). The Company may also store all or any part of the Goods on premises other than the Company's premises.

12.2 The Company may assign, delegate, licence or hold on trust all or any part of its rights or obligations under the Contract.

12.3 The Contract is personal to the Customer which may not assign, delegate, licence or hold on trust or sub-contract all or any of its rights or obligations under the Contract without the Company's prior written consent.

13. Indemnity by Customer

The Customer will indemnify and keep indemnified the Company in full from and against all direct, indirect and consequential liability, loss, damages, injury, costs and expenses (including legal expenses) awarded against or suffered or incurred or paid by the Company arising out of or as a result of or in connection with:

13.1 any claim that the Goods infringe any Swedish or foreign patent, copyright, registered design, design right, trade mark, trade name or other intellectual property right of any third party;

13.2 any claim made against the Company in respect of any liability, loss, damage, cost or expense suffered or incurred by the Company's employees or agents to the extent that such liability, loss, damage, cost or expense was caused by, relates to or arises out of or in connection with the Goods;

13.3 any claim made against the Company by any third party to the extent that such liability, loss, damage, cost or expense was caused by, relates to or arises out of or in connection with the Goods and/or the Processing thereof by the Company.

14. Tooling or Jigs

Any tools or jigs made by the Company for the purpose of the Contract shall remain the Company's property notwithstanding that the cost thereof may be included in whole or in part in the price charged for Processing. All drawings and information relating to such tools and jigs remain the Company's property and the copyright therein remains vested in the Company and the Customer undertakes that it will not

copy or make use of such tools, jigs, drawings or information for the benefit of itself or any third party without the Company's prior written consent.

15. Confidential Information

15.1 All specifications, drawings, technical descriptions and details of Processing and (hereinafter called "information") submitted with the Company's quotation or otherwise supplied to the Customer pursuant to the Contract are supplied in confidence. The Customer shall keep the information confidential and shall not (save as required by law or unless the same is already in the public domain other than as a result of the default of the Customer) disclose the same to any third party without the Company's prior written consent and shall use the same only for the purposes of the Contract.

15.2 All inventions, new processes or designs arising from the Contract and any applications for patents or similar protection, whether in Sweden or elsewhere shall be the property of the Company.

15.3 Nothing in this Condition 15 shall prevent the Company from undertaking or offering to undertake for third parties any work or services similar to or designed to achieve the same results as the work or services provided under the Contract.

16. Termination

16.1 The Customer may terminate the Contract with reasonable notice to the Company subject to the Customer reimbursing the Company for all loss it may suffer as a result of such termination.

16.2 The Company shall be entitled, without prejudice to any of its other rights, to terminate the Contract or any other contract with the Customer forthwith by notice to the Customer:

16.2.1 if the Customer (whether under the Contract or any other contract between the Customer and the Company) is overdue with any payment or commits any breach of contract which is incapable of remedy or which (if the same is capable of remedy) the Customer fails to remedy following the Company's written notice to do so within the period specified in the said notice; or

16.2.2 if the Customer should stop its payments, enter into liquidation, make a composition with its creditors, have a receiver appointed for its assets, be declared bankrupt, otherwise become insolvent or if an order is made or a resolution is passed for the winding-up of the Customer (except where such winding-up is for the purpose of amalgamation or reconstruction and in such a manner that the company resulting - if a different legal entity - shall effectively agree to be bound by or assumes the obligations of this Contract and such company is one to which the Company cannot reasonably object);

16.2.3 if the Company reasonably apprehends any of the events mentioned in Condition 16.2.2 above.

16.3 The Company shall without prejudice to its right to terminate the Contract be entitled to suspend further Processing of Goods under the Contract or any other contract between the Customer and the Company:

16.3.1 if any of the events mentioned in Condition 16.2 above occur; or

16.3.2 if and to the extent that the value of the Processing provided but not paid for exceeds (or if provided would exceed) the Customer's credit limit whether or not advised to the Customer and whether or not payment is overdue.

16.4 Notwithstanding any termination or suspension in accordance with Conditions 16.2 or 16.3 above the Customer shall pay the Company for all work done up to and including the date of such suspension or termination and shall in addition indemnify the Company against any resulting loss damage or expense incurred by the Company in connection with such suspension or termination.

17. General

17.1 Each right or remedy of the Company under the Contract is without prejudice to any other right or remedy of the Company under this or any other Contract.

17.2 Nothing in the Contract shall create or be deemed to create a partnership between the parties.

17.3 The Contract contains all the provisions which the parties have agreed in relation to the subject matter of the Contract and supersede any prior written or oral agreements, representations or understandings between the parties. The Customer agrees that it has not been induced to enter into the Contract by a statement or promise which it does not contain save that the Contract shall not exclude any liability which the Company would otherwise have to the Customer in respect of any statements made fraudulently by the Company.

17.4 In the event of one or more of the provisions of the Contract being held by a competent authority to be invalid, illegal, or unenforceable, in whole or in part, the validity, legality or enforceability of the remaining provisions of the Contract and the remainder of the provision in question shall not be affected thereby.

17.5 All notices to be served by one party on the other must be in writing and shall be deemed duly delivered or served at the time of service if delivered personally and forty eight hours after posting if posted by first class or airmail pre-paid post in each case to the registered address, if applicable, or if not applicable the last known address of the other party.

17.6 No failure or delay by the Company to exercise any right, power or remedy will operate as a waiver of it nor will any partial exercise preclude any further exercise of the same or of some other right, power or remedy.

17.7 The Contract shall be governed by and construed in accordance with the laws of Sweden without regard to its conflict of law provisions.

17.8 Any dispute, controversy or claim arising out of or in connection with a Contract between the parties, or the breach, termination or invalidity thereof, shall be finally settled by arbitration administered at the Arbitration Institute of the Stockholm Chamber of Commerce ("**SCC Institute**").

17.9 Where the amount in dispute does not exceed EUR 100 000 the SCC Institute's Rules for Expedited Arbitrations shall apply. Where the amount in dispute exceeds EUR 100 000 the Arbitration Rules of the SCC Institute shall apply. Where the amount in dispute exceeds EUR 100 000 but not EUR 1 000 000, the Arbitral Tribunal shall be composed of a sole arbitrator. Where the amount in dispute exceeds EUR 1 000 000 the Arbitral Tribunal shall be composed of three arbitrators.

17.10 The amount in dispute includes the claimant's claims in the request for arbitration and any counterclaims in the respondent's reply to the request for arbitration.

17.11 Notwithstanding the above, each party is entitled to claim payment for a clear and undisputed amount before a competent Swedish court.

17.12 The parties undertake, indefinitely, not to disclose the existence of or the contents of any judgement related to or in connection with a Contract or any information regarding negotiations, arbitration proceedings or mediation in connection therewith. The confidentiality undertaking in this Clause shall not apply in relation to information which any of the parties is required to disclose, retain or maintain by law or any regulatory, stock market or government authority of which may be required for the enforcement of a judgement.

visit www.bodycote.com for more details on the Bodycote Group

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