

# General Terms and Conditions for Execution of Labour Work Revised: August 2006

## I. General Conditions

### I.1 Place of execution, place of jurisdiction and applicable law

Place of execution and jurisdiction for all work, deliveries and payments is the place of business of H-O-T, hereinafter referred to as the contractor. The contract is governed by the law of the Federal Republic of Germany. The application of the United Nations convention regarding Contracts for the International Sale of Goods (Uniform Law on the International Sale of Goods (CISG) dated April 14, 1980) is excluded.

### I.2 Terms of Contract

The offers of the contractor are without obligation. All orders will be executed only according to below mentioned conditions, unless otherwise agreed upon in writing. Itemised Purchase Conditions of the customer will not be accepted, not even without an explicit objection by the contractor. Oral agreements must be confirmed in writing by the contractor.

### I.3 Prices

The prices are quoted in Euros, ex works, excluding VAT and packing costs. If, after placement of the order, the prices should change considerably, both parties will agree upon an adjustment.

### I.4 Payment

The invoices are to be paid 10 days upon receipt without any deductions. In case of late payment, the contractor has the right to charge interest in the amount of 8 % of the base rate of the European Central Bank. The customer has no right to withhold payment or settle the interest with next payment unless counterclaims are undisputed or legally recognized.

### I.5 Title

For all present and future outstanding liabilities the contractor has the right to impound components/material, property of the customer, as soon as they have been handed over. The legal consequences of the law pursuant to §§ 1204 et seq. BGB (German Civil Code) and the bankruptcy law apply.

## II. Terms for Execution and Delivery

### II.1 Indications by the contractor

All components handed over for treatment have to be accompanied by a delivery note or an order form with following indications:

- a) Denomination of the parts, number of pieces, net weight and type of packing;
- b) Material quality (standard respectively type of steel and steel manufacturer);
- c) Requested treatment, especially
  - aa) for case-hardening steels, either the requested carburization depth with surface hardness (i.e. carburization depth 0.8 – 1.0 mm, 60 –2 HRc), or the required case-hardening depth with reference hardness value (CHD) and surface hardness (i.e. CHD 550 HV1 = 0.2 – 0.4 mm, surface hardness at least 700 HV 10);
  - bb) for heat-treated steels, the required tensile strength to be determined by hardness measuring process according to Brinell;
  - cc) for tool and fast-work steels, the required degree of hardness according to Rockwell or Vickers;
  - dd) for nitriding-steels, the required nitriding depth (Nht);
  - ee) for induction and flame hardening, the required hardening depth with reference hardness value and surface hardness;
  - ff) for Tenifer heat treatments and short-time gas-nitriding, either the duration of the treatment or the required strength of the compound;
  - gg) in case coating or eroding should be requested following the heat treatment, it has to be indicated separately;
  - hh) for coating, the type of coating and, where applicable, the thickness of the layer;
- d) Indications regarding the requested type of testing, the position of the testing and the testing load (please see testing standards according to DIN);
- e) Any further indications or instructions necessary for a successful treatment (please see DIN 6773, DIN EN 10 052, DIN 17 021, DIN 17 023).

If partial hardening is requested, drawings showing exactly which parts have to be hardened respectively which parts have to remain soft are to be attached. It has to be indicated, if similar components are made of different enamels. The delivery documents must include special requirements regarding the stability or the condition of the surface. Pieces that are welded or soldered, and those including hollow parts, have to be pointed out separately by the customer.

Without these indications or with incomplete or incorrect indications, we will choose the type of treatment to the best of our knowledge, however, without obligation.

### II.2 Delivery time

The delivery time starts, as soon as all details have been clarified by both parties and the

customer has fulfilled all prerequisites.

The delivery time is to be understood as approximate date and can be extended within reason – even within a delay of the delivery time – in case of circumstances that could not be avoided by the contractor, not even with reasonable care.

Circumstances that could not be foreseen can be: a severe disruption of operations caused through no fault of the contractor, such as strike, lockout, accident, transportation problems, lack of raw materials and supplies, problems with the energy supply as well as disruption of operations at one of the sub-suppliers. This has to be proven by the contractor.

### II.3 Transfer of risk

The component to be treated is to be delivered by the customer, at own cost and risk, and to be picked-up upon completion. Only upon explicit request, will the contractor arrange for shipment of the component, at the customer's risk, against invoicing of freight, carriage, packing, transport insurance and any other costs.

As soon as the component is handed over to the forwarder or carrier, respectively as soon as the component is stored, or at the latest when leaving the company, the risk is transferred to the customer. This also applies when the contractor effected delivery and pick-up with his own fleet.

### II.4 Testing

Before leaving the facility, random inspections are carried out. Any further tests are only carried out if separately agreed upon. The final inspection of the contractor does not absolve the customer from his duty, to initiate an incoming components inspection/quality control.

### II.5 Claims

The material will be treated appropriately with the necessary care. The contractor will not grant any warranty for the successful treatment, i.e. that the component will be free of cracks and deformation, for surface hardness, for hardening, for full-hardening, for ability to be effectively galvanised, for layer thickness, for layer adhesion etc.. This is due to the fact that the components used may be differently suited for hardening and coating, may have hidden defects, may have inappropriate shapes, or due to the fact that possible alterations may have occurred during previous procedures.

The costs for the treatment have to be paid, even if the treatment has not been successful due to following reasons: the indications made by the customer (as per fig. II.1 ) were incomplete or incorrect, the contractor was not or could not be aware of hidden defects of the component before heat treatment, or the characteristics of the delivered components, its shape or condition, made a successful treatment impossible and the contractor did or could not know these facts. Necessary subsequent treatments will be invoiced separately according to the aforementioned conditions.

The contractor has to be informed about material defects in writing, immediately upon transfer of risks. Hidden defects have to be claimed in writing immediately upon detection. At the latest 12 months upon transfer of risks. The contractor has to be given the opportunity to react to every complaint, (i.e. to verify the complaint and to perform a finishing treatment). The contractor will pay damages up to the entire amount of the treatment, for defects within his responsibility. According to the customer's request, the contractor will either grant a credit note or treat corresponding components free of charge. The warranty period and restrictions also apply for a possible after treatment. The warranty shall be forfeited, if claimed components have been treated or processed without prior written consent of the contractor. Indemnities for customary, process-related shrinking due to the treatment of mass produced parts and small parts, are excluded. In case the contractor effects remedy work on the request of the customer, he will not grant any warranty for possible breakage resulting thereof. There shall be no warranty recognized for the application of insulating material to prevent the component from carburization or nitriding.

### II.6 Liability

With regard to the treatment, the customer is responsible for a manufacturing of the component according to the engineering rules, for correct and complete indications as per fig. II.1, and for treatment instructions adapted to the later intended utilization of the component. Unless agreed upon in writing by both parties, the contractor will not be liable for damages due to a treatment that was suggested by the contractor and approved by the customer. The execution of contractually agreed upon quality controls and controls before leaving the facility does not automatically imply the liability for consequential damage. The contractor is proceeding from the fact that the customer will execute the necessary tests for fulfilment of the legal duty to maintain safety. The contractor will not accept liability for indirect damages, especially for those resulting from damages to objects not identical to the component. All further liabilities, other than those mentioned in the conditions, are excluded unless malicious intent or gross negligence on the part of legal representatives, the management or executives can be proven.

### II.7 Partnership clause

For all payments, especially in view of the amount of the indemnities, the economic situation of the contracting parties, type, extent and duration of the business relations as well as the value of the heat treatment services are to be considered in good faith.

In the event the English translation of our General Terms and Conditions conflict with our German version, the German version always governs to the exclusion of the English translation.

