

Standard Conditions of Purchase

Art. 1 Definitions

Buyer means Fabricom AS.

Purchase Agreement means these Conditions of Purchase and the individual Purchase Order. In the event of any conflict between the documents, these Conditions of Purchase shall prevail.

Delivery Date means the date of delivery of the Goods as set out in the individual Purchase Order.

Goods mean the materials and/or products and/or equipment to be purchased or supplied as specified in the Purchase Order.

Purchase Order means an individual order of Goods issued by Buyer for Seller's provision of Goods.

Seller means the party other than Buyer, as specified in the individual Purchase Order.

Seller Group means Seller, its subcontractors and their contractors and subcontractors.

Art. 2 Authority requirements

Seller shall ensure that the Goods delivered to Buyer are consistent with applicable laws, regulations, requirements and orders of public authorities having jurisdiction.

Art. 3 Subcontracts

Seller shall not enter into any subcontract concerning any parts of the Purchase Agreement without the prior consent of Buyer. However, such consent is not required for minor purchases or limited use of hired labour.

Seller is responsible according to the Purchase Agreement for the fulfilment of any subcontracts.

Subcontracts shall contain those provisions of the Purchase Agreement, which are necessary to enable Seller to fulfil its obligations in accordance with the Purchase Agreement.

Art. 4 Quality Assurance

Seller shall have an implemented and documented system for quality assurance in accordance with NS-ISO 9001/NS-ISO 9001:2000.

Art. 5 Delivery

All Goods to be delivered from Seller shall be in accordance with the Purchase Agreement and shall be delivered duty paid (DDP, Incoterms 2000) to Buyer's address on Delivery Date, unless otherwise specified in the individual Purchase Order.

If Seller should have cause to believe that the Goods or any part thereof cannot be delivered in accordance with the Purchase Agreement, he shall promptly notify Buyer accordingly. If, in the opinion of Buyer, Seller's measures to avoid or recover delay are insufficient, then Buyer may require Seller to take measures considered necessary. Seller shall implement such measures without undue delay at Seller's own cost.

If the Goods delivered by Seller are not consistent with the requirements regarding quality and/or quantity specified in the Purchase Agreement, Buyer shall have the right to reject such Goods within a reasonable time thereafter at no cost to Buyer. In addition Buyer shall be entitled to recover from Seller any additional expense incurred in connection with the purchase of the Goods from an alternative source.

Art. 6 Payment

Seller shall not submit an invoice to Buyer until the Goods has been delivered in accordance with Art. 5, unless otherwise stated in the individual Purchase Order. Five (5) days prior to issuing an invoice Seller shall provide a pro forma invoice including sufficient documentation in order to substantiate to Buyer's satisfaction amounts invoiced by Seller. The pro forma invoice shall be issued by fax to the contact person stated in the individual Purchase Order.

Buyer shall, within 45 Days after receipt of an invoice, pay the amount due to Seller according to the invoice.

If, in the opinion of Buyer, any invoice is insufficiently documented or otherwise disputed, the invoice may be returned, without payment, to Seller for re-submittal.

Buyer is entitled to audit at Seller's and any of its subcontractor's premises all payments for Goods made by Buyer to Seller. Buyer is entitled to audit during the period of the Purchase Agreement and for up to 2 years after the end of the year the Goods were delivered.

If Buyer has not received final invoice within 100 days after delivery of the Goods then Seller forfeits the right to payment.

Art. 7 Title and risk

Title to the Goods shall pass to Buyer upon delivery in accordance with Art. 5. However, if Buyer has made any payment of the Goods prior to delivery, title shall pass upon payment.

If loss of or damage to the Goods occurs between the issuance of the individual Purchase Order until the time of delivery in accordance with Art. 5, Seller shall carry out necessary measures to ensure that the Goods are delivered and completed in accordance with the Purchase Agreement. The costs of carrying out such measures shall be borne by Seller.

Art. 8 Guarantee

Seller guarantees that the Goods delivered will be in accordance with the requirements set forth in the Purchase Agreement, free from defects of any kind and suitable for its intended purpose.

The guarantee period commences at delivery in accordance with Art. 5, and it expires two years thereafter.

In case Seller performs guarantee work during the guarantee period, he guarantees those parts of the Goods affected by the guarantee work. This guarantee applies for one year after the date of completion of the guarantee work, unless the remaining part of the guarantee period is longer.

Buyer shall be entitled to rectify the defect itself or to engage a third party to do so. In such case Seller shall pay necessary costs of rectification.

Art. 9 Cancellation and suspension

Prior to the Delivery Date, Buyer may by notice to Seller cancel the Purchase Agreement or parts thereof, with the consequence that the parties corresponding obligations towards the Purchase Agreement ceases. Upon cancellation, Seller shall receive payment for work already performed as final settlement between the parties in respect thereof.

Prior to the Delivery Date, Buyer may temporarily suspend the Purchase Agreement or parts thereof for a limited period at no additional cost to Buyer, by giving notice to Seller.

Art. 10 Seller's defects and guarantee liability

If prior to expiry of the guarantee period, the Goods has a defect when delivered to Buyer or if a defect arises for which Seller is liable under its guarantee in accordance with Art. 8, then Seller is responsible for the defect in accordance with this Article.

Seller is, however, liable for the defect only if Buyer has given notice with a description of the defect. Seller's guarantee liability is further more limited to defects that has arisen before the expiry of the applicable guarantee period. Seller shall rectify the defect as soon as possible at its own cost.

Buyer shall be entitled to rectify the defect itself or to engage a third party to do so. In such cases Seller shall pay the necessary costs of rectification. In addition Buyer may claim damages for defects according to law.

Art. 11 Force Majeure

Neither of the parties shall be considered in breach of the Purchase Agreement to the extent the party can establish that fulfilment of the Purchase Agreement has been prevented by Force Majeure.

In the case of Force Majeure, each party shall cover its own costs resulting from the Force Majeure situation. The party invoking Force Majeure shall, as soon as possible, notify the other party.

Force Majeure means an occurrence beyond the control of the party affected, provided that such party could not reasonably have foreseen such occurrence at the time of entering into the Purchase Agreement and could not reasonably have avoided or overcome it or its consequences.

Art. 12 Liability and indemnities

Seller shall indemnify Buyer from and against any losses, expenses and claims concerning loss of or damage to any property of Seller Group, howsoever arising from the Purchase Agreement.

Buyer shall indemnify Seller from and against any losses, expenses and claims concerning loss of or damage to any property of Buyer, howsoever arising from the Purchase Agreement.

Seller shall indemnify Buyer from all claims, losses and liabilities resulting from infringement or claimed infringement of patent or other industrial proprietary or protected rights in connection with the delivered Goods or Buyer's use of the Goods.

Buyer shall indemnify Seller from Buyer's own indirect losses and/or consequential losses, and Seller shall indemnify Buyer from Seller's Group's own indirect losses and/or consequential losses, howsoever arisen from the Purchase Agreement. Indirect losses include but are not limited to: loss of earnings, loss of profit, loss due to pollution, loss of production and loss of business opportunities.

Art. 13 Insurance

Seller shall provide and maintain insurance sufficient to protect its liabilities under Art. 7 second paragraph and Art. 12 first paragraph.

Such insurance cover shall be effective from the issuance of the individual Purchase Order and shall not expire until the expiry of the guarantee period.

Seller shall, at the request of Buyer, produce certified copies of the policies or insurances certificates with the necessary information. The policies shall state that the insurers waive all rights of subrogation against Buyer, and entitle Buyer to make a direct claim against the insurers.

Art. 14 Proprietary rights and confidentiality

Commercial and technical information, including drawings, documents and computer programs regardless of method of storage, and copies thereof, provided by Buyer to Seller shall be the property of Buyer. Information delivered to Buyer from Seller shall be the property of Buyer.

Buyer provided information as stated in the first paragraph shall not be used by Seller for any other purpose outside the Purchase Agreement. All documentation, all computer programs and copies shall be delivered to Buyer at the expiry of the Purchase Agreement, unless otherwise agreed.

All information from Buyer, whether oral or written, shall be treated as confidential and shall not be disclosed to a third party without Buyer's written permission.

Art. 15 Tax

Seller shall be responsible for, and indemnify Buyer from, the payment off all direct and indirect taxes, duties, levies, charges and contributions (and any interest or penalties thereon) including any VAT for which Seller Group is liable as imposed by any applicable governmental/public authority, whether or not they are calculated by reference to the purchase of goods, services, payments, wages, salaries, benefits, expenses or other remuneration paid directly or indirectly to persons engaged or employed by Seller or arising from the Purchase Agreement.

Art. 16 Assignment

Buyer may assign its rights and obligations under the Purchase Agreement, in whole or in part, to any third party. Seller may not assign or mortgage the Purchase Agreement or a part or interest in it, to a third party without Buyer's prior written approval. Any assignment made by Seller not in accordance with this Article shall be null and void if so decided by Buyer.

Art. 17 Law and interpretations

The Purchase Agreement shall be governed by and interpreted in accordance with Norwegian Law.

Disputes arising in connection with or as a result of the Purchase Agreement, and which are not resolved by mutual agreement, shall be settled by court proceedings unless the parties agree otherwise. Any court proceedings shall be brought before Stavanger City Court.

Art 18 Delays to Delivery

18.1 If Seller fails to deliver the Goods within the Delivery Date as specified in the Purchase Order and a Force Majeure situation is not applicable, then Buyer has the right to deduct 1% of the total Purchase Order value for every calendar day of delay, limited to 10% of the total Purchase Order value.

All items listed in the Purchase Order including certificates and other necessary documentation constitutes a part of the Goods and shall be delivered within the Delivery Date unless otherwise agreed in writing. Delivery has not been achieved until all items have been accepted by Buyer.

18.2 If Seller is aware of or ought to be aware that the agreed Delivery Date will be exceeded, he has the obligation to immediately inform Buyer, in writing, of such potential Delay and the reason for such potential Delay. If Seller fails to inform, he forfeits the right to claim Force Majeure as a reason for the Delay.

18.3 It is Sellers duty to take all necessary actions to mitigate Delay and the consequences of Delay as much as possible. If Seller neglects to mitigate delay and consequences thereof, Buyer has the right to claim liquidated damages exceeding the limitation expressed in Article 18.1

18.4 In cases where the Goods are not specifically made/produced by Seller and/or his sub-supplier to meet Buyer's specification or if the Goods are recognized as marketable, then Buyer has the right to cancel the order immediately when Delay occurs or when it is recognized that it most likely will occur. If such cancellation is exercised, Buyer can claim accumulated liquidated damages up to the point in time when cancellation is exercised or in accordance Article 18.3, second sentence and in accordance with Norwegian law.

In cases where the Goods are specifically made/produced by seller or his sub-supplier to meet Buyer's specification and the Goods therefore are not marketable then Buyer can not cancel the Purchase Order for delay until he has the right to claim maximum liquidated damages in accordance with Art. 18.1.

Buyer has a similar right to exercise cancellation if the delay or any part thereof, is based on Force Majeure.