

GENERAL CONDITIONS OF PURCHASE
JOHN CRANE ITALIA SPA

1.0 Definitions

'Purchaser'	means John Crane Italia SpA or its authorised representatives;
'Contract'	means a Purchase Order and the acceptance of the Purchase Order by the Seller;
'Seller'	means the person, the company or the society to which the Purchase Order is submitted;
'Goods'	means the work, the items, the services, the goods or any parts thereof described in the Purchase Order;
'Specifications'	means the technical description of the Goods contained or referred to in the Purchase Order and/or in any related annexes, drawings or specifications;
'Purchase Order'	means the formal written Purchase Order submitted by the Purchaser for the supply of the Goods which includes these terms and conditions;

2.0 Receipt and acceptance

- 2.1 The Purchaser is only bound by its Purchase Order if the Order has been submitted on an official order form signed, on behalf of the Purchaser, by its authorised representative.
- 2.2 The Purchaser is under no obligation related to any order submitted until the Purchaser receives from the Seller a written confirmation of terms and conditions included in the Purchase Order, which integrates these Terms and Conditions.
- 2.3 In the event that the Seller fails to provide this written confirmation or submits a counter offer implying its acceptance of the offer included in the Purchase Order according to different terms and conditions, but undertakes the delivery of the Goods or of any parts thereof, the Purchaser shall be entitled to accept the Goods, as though said offer were unconditionally accepted, or to refuse the Goods, by notifying it to the Seller. In the latter case, the Goods shall remain at the Seller's risk and disposal from the moment they are refused.
- 2.4 No terms or conditions which have been endorsed, submitted with or included in the Seller's offer, in the order receipt or acceptance note or in any similar document may form part of the Contract, and the Seller waives any claim that may otherwise depend on said terms and conditions.

3.0 Changes

- 3.1 Neither the Purchaser nor the Seller shall be bound by any changes, renunciations or additions to these Terms and Conditions, except as agreed by both Parties in writing and signed on their behalf.

4.0 Warranty

- 4.1 The Seller warrants that the Goods are:
- compliant in all respects with the details stated in the Purchase Order regarding quality, quantity and Specifications;
 - manufactured from sound materials and in a workmanlike manner;
 - compliant with any standards or requirements detailed in the Purchase Order;
 - appropriate for the purpose for which it was requested, if specified in the Purchase Order, explicitly or implicitly;
 - compliant in all respects with all relevant requirements as stated in any Statutes, Regulations and Orders or in any instruments having legal effect that may be in force at the time when they are satisfied;
 - fully unfettered, and that the Seller enjoys a valid and marketable right concerning the Goods.
- 4.2 The Purchaser's rights referred to in this Clause 4 supplement the statutory terms implied in favour of the Purchaser as stated in Sale of Goods Act 1979.

5.0 Tests and checks

- 5.1 Prior to delivery of Goods, the Seller must test and check carefully their compliance with the Specifications. The Seller, if required to do so by the Purchaser, shall inform the Purchaser with reasonable advance notice regarding these tests, and the Purchaser shall have the right to be represented during their execution. The Seller, upon request by the Purchaser, must also provide the Purchaser with copies of documents regarding tests carried out by the Seller, certified by the Seller as certified copies.
- 5.2 It is expressly agreed that the Purchaser is entitled to test and check the Goods during manufacturing and storage or within a reasonable deadline, and also to refuse any delivered Goods and/or executed work which do not satisfy the Purchaser according to the following Clause 9. Where the Purchaser exercises this right, the Seller, if required to do so by the Purchaser, must provide or procure all resources that may be reasonably requested by the Purchaser in this respect.
- 5.3 No Goods shall be deemed to have been accepted by the Purchaser until any attestations/certificates requested by the Purchaser to the Seller, stating that the Goods and/or the work are of satisfactory quality, have been provided.

6.0 Delivery

- 6.1 The Seller shall deliver the Goods when specified in the Purchase Order. The delivery time is essential. Should the Seller, for whatever reason, be unable to deliver the Goods within the specified time limit, the Seller shall inform the Purchaser, in writing and without delay, its intention to request an extension of time limit, which the Purchaser may grant at its sole discretion, but without prejudice to its rights. Unsolicited advance deliveries shall be deemed for all purposes as made according to the agreed terms and conditions, and payment deadlines shall commence from the date of delivery.
- 6.2 Should the Goods or any parts thereof not be delivered within the time limits specified in the Purchase Order or within any extension of these

time limits granted by the Purchaser, the Purchaser shall be entitled to cancel the Purchase Order regarding the undelivered Goods and any other Goods already delivered according to the Purchase Order which cannot be effectively and commercially used due to non-delivery of undelivered Goods. Upon cancellation, the Purchaser is entitled to:

- return to the Seller, at the Seller's expense, any parts of the Goods already delivered that cannot be effectively and commercially used as mentioned above, and to be reimbursed by the Seller for any amount paid regarding said Goods; and
 - be reimbursed by the Seller for any further costs reasonably incurred by the Purchaser in order to obtain other Goods replacing those whose Purchase Order has been canceled.
- 6.3 The Goods, properly packed and secured in such manner to enable them to reach their destination in normal conditions of carriage, shall be, unless otherwise directed by the Purchaser, delivered by the Seller to the Purchaser's premises, freight prepaid and according to the terms specified in the Purchase Order.
- 6.4 Invoices must include the Purchaser's Order number. The Shipping Document/Packing List must include said Order number, JC code, weights, dimensions and quantities. It must be sent to the delivery destination together with the Goods.
- 6.5 Deliveries exceeding the quantities specified in the Purchase Order shall not be accepted. Any such excess Goods shall be, at the Purchaser's discretion, refused at the Seller's expense or accepted.
- 6.6 No burden for the packaging of materials or containers shall be accepted, unless otherwise agreed by the Purchaser, but empty containers shall be returned by the Purchaser, at the Seller's expense and upon request by the Seller.
- 6.7 The Seller is responsible for compliance with any law and regulation governing the importation of the Goods into the destination Country, and also for any related expenses.

7.0 Storage

- 7.1 Should the Purchaser, for whatever reason, be unable to accept the delivery of the Goods at the time when the delivery is due, the Seller shall store and protect the Goods and take all reasonable measures aimed at preventing their deterioration until actual delivery.

8.0 Risks and Rights

- 8.1 As stipulated in Clause 8.2, the ownership of the Goods is transferred to the Purchaser upon delivery without prejudice to any rights of refusal the Purchaser may be entitled to in such conditions.
- 8.2 If the Seller delays the delivery upon request by the Purchaser according to Clause 7, the ownership of the Goods shall be transferred to the Purchaser seven days after the Seller has notified that the Goods are ready for delivery, or in another date that may have been agreed, but the Goods shall in any case remain at the Seller's risk until the delivery is completed.

9.0 Remedies

- 9.1 Without prejudice to any other rights and remedies which the Purchaser may enjoy, in the event that any part of the Goods and/or of requested documentation/certification, according to any conditions stated in the Contract, is not provided, or that the Seller does not comply with said conditions, the Purchaser is entitled to use, at its discretion, one or more of the following remedies, irrespective of the acceptance by the Purchaser of any parts of the Goods:
- to terminate the Order;
 - to refuse the Goods (in whole or in part) and return it to the Seller at the Seller's risk and expense on the basis of a full reimbursement for the returned Goods, to be paid immediately by the Seller;
 - at the Purchaser's discretion, to give the Seller the option, at the Seller's expense, to rectify any defects of the Goods or to provide replacements and implement any other measures required to comply with the Contract terms;
 - to refuse any further delivery of Goods, but without liability whatsoever upon the Seller;
 - to implement, at the Seller's expense, any measure that may be required to bring Goods into conformity with the Contract; and
 - to claim compensation for any damages suffered as a result of the infringement(s) of the Contract by the Seller.

10.0 Price and Payment

- 10.1 The Purchaser is entitled, at its discretion, to charge for all materials provided by the Purchaser to the Seller for its subsequent transformation into components by the Seller. Said charges shall be included by the Purchaser in the final sales price of the Goods.
- 10.2 The Price of the Goods shall correspond to what agreed in the Purchase Order and is understood as net of VAT but inclusive of any other expenses, unless otherwise stated.

11.0 Purchaser's Ownership

- 11.1 All patterns, dies, moulds or other instruments or materials, design rights and other forms of intellectual property rights provided by the Purchaser or prepared or obtained by the Seller for and at the sole expense of the Purchaser, shall be identified by the name of the Purchaser or as otherwise specified by the Purchaser and shall remain the property of the Purchaser and must be returned in good conditions upon request.
- 11.2 The Seller shall secure any material or property sent to the Seller by the Purchaser for any purpose regarding the Purchase Order and shall

maintain all said items in good order, and shall insure them against any risk while they are stored by the Seller.

- 11.3 In the event that the Purchase Order requires machining, processing or treatment of any materials or parts owned by or under the responsibility of the Purchaser, the Purchaser is entitled to charge to the Seller the cost of said materials or parts if, while they are stored by the Seller, they are destroyed or damaged or rendered unsuitable for the purpose they were originally manufactured for.
- 11.4 The Seller must not in any case use said items, nor knowingly authorise or allow their use by anyone else for, or related to, any purpose other than the delivery of the Goods to the Purchaser, unless said purpose has been expressly authorised in writing and in advance by the Purchaser.

12.0 Confidentiality

- 12.1 The Seller, without prior written consent of the Purchaser, shall not publicise in any way nor publish under any form the Contract for the provision of Goods to the Purchaser by the Seller.
- 12.2 The Seller shall maintain the strictest confidentiality with regard to all technical or commercial know-how, specifications, inventions, processes or measures of a confidential nature that have been disclosed to the Seller by the Purchaser or its representatives, and also any other confidential information about the Purchaser's business activity or products that the Seller may become aware of. The Seller shall also limit the communication of such material to its employees, representatives or subcontractors to which they must necessarily know or in order to fulfil the Seller's obligations to the Purchaser, and shall ensure that said employees, representatives or subcontractors are bound by the same obligations of confidentiality binding the Seller.

13.0 Indemnity and Insurance

- 13.1 The Seller shall compensate the Purchaser for any losses, actions, costs, claims, demands, expenses and liability of any kind (if any) that the Purchaser may incur under the law or under statutory regulations, such as:
- a) faulty workmanship, quality and materials;
 - b) infringement or alleged infringement of any proprietary rights resulting from use, manufacturing, or delivery of the Goods; and
 - c) any claims made against the Purchaser regarding any liabilities, losses, damages, injuries, costs or expenses incurred by the Purchaser's employees or representatives or by any customers or third parties, in so far as said liability, loss, damage, injury, cost or expense has been caused by, is related to or results from the Goods as a consequence of a direct or indirect infringement or results from negligent, failed or late implementation of the terms of the Contract by the Seller.
- 13.2 The Seller shall take out sufficient insurance coverage with a reputable insurance company in order to comply with the Seller's insurance requirements, including insurance coverage for public liability. The Seller shall take out an insurance against all risks arising out of the indemnity of the Purchaser included in Clause 13.1. Upon request, the Purchaser shall be shown satisfactory proof of said insurance and payment of insurance premiums.

14.0 Statutory Requirements and Purchaser's Regulations

- 14.1 In the event that the work is performed at the Purchaser's premises, the Seller must fulfil the requirements stated by any plant provisions (including Health and Safety Requirements) and/or the operative requirements laid out by the Purchaser.

15.0 Transferring and Subcontracting

- 15.1 Without written consent of the Purchaser, the Seller may not lease or transfer the Purchase Order or any parts thereof to anyone else, except in the framework of a business reorganisation.
- 15.2 Without written consent of the Purchaser, the Seller may not subcontract the Purchase Order or any parts thereof not related to materials, minor details or any parts of the Goods whose manufacturers are mentioned in the Purchase Order or in the Specifications. Such consent shall not exempt the Seller from any obligations regarding the Purchase Order, and the Seller shall be liable for any acts, omissions or negligence of its subcontractors, representatives, service staff and workers. Moreover, the Seller shall ensure compliance of related clauses by said subcontractors.

16.0 Code of Conduct

- 16.1 The Purchaser shall undertake to conduct its business activity in an ethical manner and complying with the law. To this end, the Purchaser, via its parent company Smiths Group plc, shall adopt a Code of Corporate Responsibility and Business Ethics and a mechanism for reporting any non-ethical and non-legal behaviour. The Purchaser assumes that the Seller also conducts its activity in an ethical and legal manner. Should the Seller have reason to believe that the Purchaser, or any employee or representative of the Purchaser, has acted in a non-ethical or non-legal manner with regard to this Contract, the Seller is invited to report such behaviour to the Purchaser or to Smiths Group plc. Smiths Group plc's Code of Corporate Responsibility and Business Ethics and mechanisms for implementing such reports are available on the website www.smiths-group.com.

17.0 Termination

- 17.1 The Purchaser is entitled, at any time and for any reason, to terminate the Contract in whole or in part, by informing the Seller in writing in order that, as a consequence, all work associated to the Contract is suspended. The Purchaser shall accord to the Seller fair and adequate remuneration for the work being carried out upon termination, but said remuneration shall not include any loss of anticipated profits or any other consequential losses.
- 17.2 The Purchaser is entitled, at any time and by informing the Seller in writing, to terminate the Contract immediately if:
- a) the Seller commits any material breach of any terms and conditions of the Contract; or
 - b) the Seller is subject to a bankruptcy judgement issued against it or reaches an arrangement or composition with its creditors or

proceedings have been initiated in relation to defaults or potential defaults; or

- c) the Seller discontinues or threatens to discontinue its activity; or
- d) the Seller's financial position deteriorates to such an extent that, in the Purchaser's reasonable opinion, the Seller's capacity to properly fulfil its obligations as stated by the Contract is endangered.

- 17.3 The termination of the Contract, in any way should it occur, shall not affect the rights and obligations accrued prior to termination. Conditions that, explicitly or implicitly, are valid after termination shall remain applicable irrespective of the termination.

18.0 Force Majeure

- 18.1 The Purchaser reserves the right to postpone the date of delivery or payment or to cancel the Contract or to reduce the amount of ordered Goods if its activity is impeded or delayed due to causes beyond the reasonable control of the Purchaser including, without limitation, acts of God, government acts, war or national emergency, acts of terrorism, protests, riots, civil unrest, fire, explosion, flood, epidemics, lockouts, strikes or other labour disputes (related or unrelated to any workforce of the party), or restrictions or delays affecting also transportation or incapacity or delay in obtaining supply of adequate or suitable materials.

19.0 Miscellaneous

- 19.1 Any right or remedy of the Purchaser under the Contract shall not affect any other rights and remedies of the Purchaser, irrespective of whether it is stipulated by the Contract or not.
- 19.2 Should any clause of the Contract be deemed by any Court of first or second instance or competent administrative body to be completely or partly illegal, invalid, voidable, unenforceable or unreasonable, it shall be considered as separable, within the limits of said illegality, invalidity, voidability, unenforceability or unreasonability, and the remaining clauses and the remaining parts of said clause shall continue in full force and effect.
- 19.3 The Purchaser's failure or delay to enforce or partially enforce any clause of the Contract shall not be construed as a waiver of any rights regarding the Contract.
- 19.4 Any waiver by the Purchaser to claim any infringement of, or any omissions related to any clause of the Contract committed by the Seller shall not be construed as a waiver to claim any further infringements or omissions and shall not affect the other terms of the Contract in any way.
- 19.5 The Parties that have entered into the Contract shall not interpret any terms of the Contract as applicable under the Contracts (Rights of Third Parties) Act 1999 by anyone other than one of the Parties entering into the Contract.
- 19.6 The formation, existence, interpretation, execution, validity and all aspects of the Contract shall be governed by the Italian law and the Parties submit to the exclusive jurisdiction of the court.