

General Purchasing Conditions for Contracts of Sale and Service Contracts of the Hipp Group

(Status March 2006)

§ 1 General - Scope of Validity

- (1) Our Purchasing Conditions apply exclusively; we do not recognise any conditions of the supplier that contradict or deviate from our own Purchasing Conditions, unless we explicitly approved validity of such conditions in writing. Our purchasing conditions also apply, if in the knowledge of the supplier's conditions, which contradict or deviate from our own conditions, we unconditionally accept delivery from said supplier.
- (2) All agreements made between ourselves and the supplier for the purpose of executing this contract are to be made in writing.
- (3) Our Purchasing Conditions also apply for all future transactions with the supplier.
- (4) Priorities:
The following apply in the sequence shown for the type and scope of the reciprocal services:
 - the conditions of the order, including the technical documentation underlying the order (e.g. specifications, bill of quantities),
 - the other terms of contract specified in the order
 - the agreed schedule, special and general technical conditions,
 - the site regulations,
 - these General Purchasing Conditions for Contracts of Sale and Service Contracts

§ 2 Sub-contractors

- (1) Sub-contractors must not be engaged without our prior written approval. Sub-contractors must be named in the offer. Information must be provided about the scope of delivery and services provided by each of the sub-contractors. For the tasks he has undertaken to accept, the supplier must impose upon the sub-contractors the same obligations agreed with ourselves and ensure compliance with same.
- (2) The supplier must not prevent his sub-contractors from arranging contracts with ourselves for other goods/services.

§ 3 Offer - Orders - Order documents

- (1) Offers shall be processed by the supplier free of charge. Offers must be submitted within the deadline specified in the enquiry. The supplier's offer must relate precisely to our specification and the wording in the enquiry. Express reference must be made to any differences.
- (2) Orders must be placed in writing and must be confirmed by the supplier in writing without delay. Verbal orders, changes or amendments to orders shall only be binding if they are confirmed by us in writing. The written form is also observed when if orders are placed by electronic data transfer. If the supplier does not accept an order within 14 calendar days, we shall be entitled to revoke the order before receiving the supplier's declaration of acceptance.
- (3) We retain ownership and copyright to illustrations, drawings, calculations, raw material and product specifications and other documents; such documents may not be disclosed to third parties without our express written agreement. They are to be used exclusively for production on the basis of our order. Confidentiality over such documents must be maintained in respect of third parties.
- (4) Our specifications, drawings, weight, dimension and consumption data, raw material and product specifications are binding and describe the agreed consistency.

§ 4 Prices - payment conditions - assignment constraint

- (1) The agreed prices are fixed prices and include all rebates, packaging and transportation costs as indicated in the order, unless otherwise agreed in writing.
- (2) The agreed prices are net (ex. VAT). VAT is shown on invoices as a separate item. Invoices that do not fulfil these conditions shall be returned. Notwithstanding our other rights, we shall have a retention right with regard to the purchase price/service fee until presentation of an invoice that fulfils these conditions.
- (3) Invoices are to be produced in duplicate and our order reference must always be quoted. They will be prepared in either Euro or an alternative currency at our discretion.
- (4) Unless otherwise agreed in writing, we shall pay the purchase price less 3% discount within 21 days, calculated from delivery and receipt of invoice, or the net invoice amount within 45 days of receipt of invoice, in the currency of our choice.
- (5) The supplier may not, without our written, separate agreement, transfer, assign or pledge to a third party, either the obligation to deliver or the claim to payment arising from this contractual relationship. The assignment constraint does not apply within the scope of application of § 354a HGB [Commercial Code].

§ 5 Inter-group settlement proviso

- (1) The supplier agrees that as general creditors, all Hipp Group companies shall be entitled to the claims acquired by the groups associated with the Hipp Group (companies as defined by § 15 ff. of the AktG [German Joint Stock Companies Act]) and companies at home and abroad, which are affiliated through participation links of at least 50%) against the suppliers; these claims may therefore be offset against obligations of any of the Hipp companies.
- (2) All materials and procedural rights, to which the supplier is entitled from a Hipp company, may also be claimed from any of the other general creditors.
- (3) A supplier's claims against a Hipp company may be offset by this particular company's claims or those of a different Hipp company.
- (4) The above regulations apply also if payment by both cash and bills of exchange are agreed or if the reciprocal claims fall due at different times, in which case the value position is calculated.
- (5) In the case of on-going payments, the entitlement relates to the balance.
- (6) We waive the right, in the event of a claims majority of the determination, to contradict the claims to be offset by the suppliers.
- (7) We shall provide information at the request of any Hipp company entitled to use the inter-group settlement facility.

§ 6 Delivery and service schedules - delivery

- (1) The dates for the supply of goods and services stated on the order are binding. Absolute fixed deadlines as defined by § 376 of the HGB [German Commercial Code] are annotated specifically as such.

- (2) If the supplier fails to meet a delivery deadline defined or definable as a calendar date due to his own fault, he shall be in default of delivery without further reminder or setting of a period of grace. At the end of the day if a fixed calendar date is set as the delivery deadline, at the end of the last working day in the week if a certain calendar week is defined, and at the end of the last working day of the month is a calendar month is defined.
- (3) The supplier is obliged to notify us immediately of any circumstances that occur or of which he becomes aware, which would prevent him from meeting the agreed delivery date.
- (4) In the event of a delay, we shall be entitled to the statutory claims, specifically, we are entitled to claim late delivery interest of 5%, in the case of companies as defined by § 14, subsection 1 of the BGB [Civil Code] of at least 8% above the relevant base interest rate per annum. We are also entitled to demand lump-sum damages amounting to 1% of the value of the delivery for each full week of the delay, the maximum amount however being 10%. The supplier is entitled to prove to us that the delay has resulted in either no or less significant damage.
- (5) Delivery by the supplier or a third party engaged by him must be effected during our normal opening hours.
- (6) The consignment addresses shall be defined in the order and may be changed by us in writing until the time of delivery.
- (7) The delivery must be made to the final destination within our grounds and our buildings. The supplier bears the risk of transport and unloading, and of assembly if applicable.
- (8) The supplier is obliged to remove all packaging material free of charge.

§ 7 Entry to and movement on the working land/site:

- (1) Entry to and movement on our working land/site is effected under the instructions of our technical staff. The regulations of the StVO [Road Traffic Act] must be observed.
- (2) If services are provided on the working land/site, the relevant site regulations shall apply. On commencement of the work or by prior request, the supplier's supervisory personnel is provided with a copy of the site regulation, including list of annexes, which must be signed for. Familiarity with the content of the site regulations, including list of annexes, must be confirmed by a written declaration.

§ 8 Transfer of risk - packaging - documents

- (1) Risk is transferred to us only when we are in receipt of or have accepted the goods/services.
- (2) Packaging and transportation materials used for ordered goods must be entirely harmless, state of the art and correspond to the recommendations of the Federal institute for Risk Assessment [deutsches Bundesinstitut für Risikobewertung - BfR]. The supplier is responsible for ensuring that the regulations and relevant Hipp specifications existing in this respect are observed, and for any damages resulting from violation of these obligations.
- (3) The supplier is obliged to hand over all shipping papers and delivery notes, which should quote our precise order number. Should he fail to do so, we shall not be held responsible for delays incurred during processing.

§ 9 Quality, quality control, environmental protection, social standards

- (1) The supplier must observe the recognised rules of technology and the relevant legal and official regulations and also our operational rules and regulations. The supplier must in particular observe the accident prevention regulations and the generally recognised functional reliability and medical regulations. Machinery and technical equipment must be supplied in accordance with the Machinery Regulation, complete with operating instructions and an EC Certificate of Conformity. Technical equipment bearing the CE Mark is preferred. If a test mark is not awarded, compliance with the aforementioned regulations must be proved at our request. Goods intended for delivery must correspond to all aspects of our specific requirements. Notwithstanding our raw material and product specifications and other specific contractual conditions, foodstuffs must correspond in terms of composition, quality, packing and declaration, with the relevant German and European foodstuff regulations.
- (2) We are entitled at any time, particularly in respect of foodstuffs and packing materials, to request from the supplier, at his own cost, samples or patterns. Further we are allowed to execute controls at the supplier's fields, stables, production plants and warehouses. The supplier assures to us, that the same rights will be granted to us by his pre-suppliers. Any tests conducted in this respect serve orientation purposes only and do not replace the incoming goods check, so that any faults detected during the incoming goods check can be reported in full.
- (3) Hipp has specifically undertaken to protect the environment. The supplier undertakes to fulfil comparable environmental standards and provide a suitable proof of the same.
- (4) The Hipp Group strictly forbids the use of child labour in the manufacture of goods or the provision of services. The supplier also undertakes to comply generally with the social standards listed individually in the following Code of Conduct observed by the Hipp Group.

§ 10 - Complaints - claims for faults - liability

- (1) Complaints are considered to have been lodged in good time, provided they are received by the supplier within 12 working days of the goods having been received. Complaints concerning concealed faults are considered to have been lodged in good time, provided they are received by the supplier within 12 working days of the fault having been discovered. Concealed defects include specifically banned residues in foodstuffs.
In the event of weight deviations, the weight ascertained during our incoming goods check apply, unless the supplier proves that the weight he calculated was ascertained by a generally recognised method. This also applies to deviating quantities.
- (2) The supplier shall be liable in accordance with the statutory regulations; in particular the supplier shall be liable for wilful intent and any form of negligence,

also by his representatives, agents or vicarious agents. The liability cannot be limited in terms of totals. We are entitled to demand either that the supplier rectifies the fault or provides a replacement at our choice. In this case, the supplier is obliged to bear all the costs necessary for such rectification or replacement. The right to compensation, specifically for non-fulfilment, remains unaffected.

- (3) The supplier shall be liable in accordance with the statutory regulations for any violation of obligations; in particular the supplier shall be liable for wilful intent and any form of negligence, also by his representatives, agents or vicarious agents; liability cannot be limited in terms of totals.
- (4) The statutory periods of limitation shall apply to claims for faults. They commence on delivery to the point of use.
- (5) In the case of used goods, Items (1) to (4) apply accordingly.
- (6) The supplier guarantees the consistency and shelf-life in accordance with § 443 of the BGB.

§ 11 Product liability - exemption - indemnity insurance cover

- (1) If the supplier is responsible for product damage, he is obliged to indemnify us, at our first request, from any third-party compensation claims, insofar as the cause lies within his own territory and area of organisation and that he himself is liable in the external relationship.
- (2) Within this context, the supplier is also obliged to reimburse any expenditure in accordance with §§ 683, 670 of the BGB and also §§ 830, 840, 426 of the BGB, arising from or in connection with a recall action effected by ourselves. We shall provide the suppliers - where possible and feasible - with information regarding the content and scope of the recall measures to be carried out and give him the opportunity to comment. Other statutory claims remain unaffected.
- (3) The supplier undertakes to arrange a product liability insurance with cover of Euro 2.5 million per personal / property claim - lump sum cover to be a maximum of double per annum; lower amounts of cover may be agreed with us in certain cases. Any further-reaching compensation claims to which we are entitled shall remain unaffected.

§ 12 Industrial property rights

(patents, licences, utility patents etc.), copyrights

- (1) The supplier is liable for ensuring that supply and use of the delivery objects and/or the manufactured plant does not result in the infringement of a patent or other third-party property right.
- (2) In the event that third-party claims are nevertheless raised against us, the supplier is obliged, at our first request, to indemnify us from these claims and otherwise hold us harmless.
- (3) The supplier's duty to indemnify relates to all expenditure, which we are forced to incur from or in connection with such a third-party claim.

§ 13 Retention of ownership - provision - confidentiality

- (1) We retain ownership of any parts we provide to the supplier. The supplier is obliged to clearly mark material provided by us as such, and to store it separately, specifically so that a combination/mixing cannot occur. The supplier undertakes to use the material provided only within the scope of the intended contractual production. The parts are processed or remodelled by the supplier. If the goods of which we retain ownership are processed with other objects owned by third parties, we acquire co-ownership of the new product in the ratio of the value of our part (purchase price plus VAT) to the other processed part at the time of processing.
- (2) If the part provided by ourselves is irrevocably combined with other objects owned by third parties, we acquire co-ownership to the new product in the ratio of the value of the retained part (purchase price plus VAT) to the other combined object at the time of combining. If the parts are combined in such a way that the part provided by the supplier is considered the main item, it is considered agreed that the supplier transfers to us pro-rate co-ownership; the supplier safeguards sole ownership or co-ownership for ourselves.
- (3) We reserve the right of ownership to tools; the supplier is obliged to utilise the tools exclusively to produce the goods which we have ordered.
- (4) Unless the protection rights to which we are entitled in accordance with subsection 1 (1) and/or subsection (2) exceed the purchase price of all the unpaid goods of which we retain ownership by more than 20%, we are obliged at the request of the suppliers to release the protection rights we think appropriate.
- (5) The supplier is obliged to maintain strict confidentiality over all information, specifically illustrations, drawings, calculations and other documents and information; these remain our property. They and any goods produced in accordance with them may only be disclosed to third parties with our express consent. We are entitled to demand that the supplier returns them to us at any time. They must be returned to us on termination of the contract at the latest. The confidentiality obligation continues to remain in force on completion of the contract; it lapses if and insofar as the production-related knowledge contained in the illustrations, drawings, calculations and other documents becomes public knowledge. If the supplier fails to fulfil these obligations, we may claim compensation.

§ 14 Cancellation

- (1) According to § 649 of the BGB, we are entitled to cancel the commissioning of works (§ 631 BGB) or works delivery services (§ 651 BGB) at any time. Contrary to the legally specified cancellation consequences, the following applies: Should cancellation be effected by ourselves for any good reason attributable to the supplier, the supplier shall be remunerated only for the individual services we have used and which we provided before the time of cancellation. We reserve the right to claim compensation from the suppliers. The supplier must specifically reimburse any additional expenditures.
- (2) Should cancellation be effected by ourselves for any good reason not attributable to the supplier, the supplier shall receive only the agreed remuneration for the individual services provided before the time of cancellation. Further-reaching claims by the supplier are excluded. Furthermore, the cancellation consequences regulated in § 649 of the BGB shall apply.
- (3) We may withdraw from the ordering of goods (§ 433 BGB) for good reason at any time before hand-over of such goods. In this case, the following applies accordingly in respect of the supplier's claim for remuneration; we acquire ownership of the part services for which payment has been received.

- (4) Good reason as defined by this regulation specifically, if, as a result of official decisions, our interest in the provision of the contractual services should lapse, an application for insolvency or comparison proceedings is made against the supplier, the conditions for an insolvency or comparison application exist, or the supplier fails to meet his obligation for the subsequent supply/repair of sub-standard services within an appropriate period set in writing.

§ 15 Court of arbitration – place of jurisdiction – place of fulfilment – choice of applicable law

- (1) The contractual parties endeavour to come to amicable agreements on any differences of opinion. The parties may also agree that any disputes arising in connection with or concerning the validity of this contract, in accordance with the arbitration code of the Chamber of Commerce for Munich and Upper Bavaria (IHK Munich), will finally be decided under the exclusion of the proper legal channels.
- (2) The parties are also at liberty to execute claims of any nature through the proper legal channels. In this case, the courts responsible for Pfaffenhofen/Ilm are agreed; Hipp is however entitled to bring actions against the suppliers at the court responsible for his principle place of business.
- (3) Unless otherwise specified in the order, the place of fulfilment is our principle place of business.
- (4) All deals transacted with the supplier are subject, from both a material and a procedural respect, to the national and European law valid in Germany. The UN Convention on Contracts for the International Sale of Goods (CISG) is not applicable.
- (5) The contractual language is German.
- (6) Standard commercial clauses should be formulated in line with the relevant Incoterms - ICC, Paris.

§ 16 German Data Protection Act

The supplier consents to us saving and processing the supplier's data and to transferring such data to other Hipp companies, provided this is necessary to progress the order.

§ 17 Publications/Advertising

Evaluation or disclosure of the business relationships existing with ourselves in publications or for advertising purposes is acceptable only with our express prior approval.

§ 18 Salvatorial Clause

- (1) Should these Purchasing Conditions be or become ineffective either in whole or in part, the remainder of the contract shall remain unaffected.
- (2) Should individual conditions become ineffective, the content of the contract will be based on the legal conditions.

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To § 9 (4) of the General Purchasing Conditions for Contracts of Sale and Service Contracts of the Hipp Group

Code of Conduct for the Hipp Group

Preamble:

Observance of human rights is an elementary principle of human co-existence. Contemptuous working relationships and conditions contradict this principle.

Our trading conditions are based on social standards being respected. As a requirement for each business relationship, our suppliers declare, both in their own environment and also that of their secondary suppliers, their consent to the following conditions, as basic rights of the employees, being complied with:

1. The Hipp Group forbids the use of child labour to produce goods or provide services. A definition of child labour can be found in the regulations published by the United Nations or the nationally valid regulations, whichever are the more stringent.
2. The employees must receive wages or other payments conforming to the valid laws and/or practices employed by the local production industry, whichever is higher. The maximum number of regular working hours is 48 per week. All additional hours must be paid as overtime on the basis of the valid regulations and/or the industry practices employed in the region, whichever is the higher. The number of working hours, including overtime, must not exceed 60 on a regular basis. Employees are entitled to at least one day off per week.
3. The legal entitlement of employees to establish trade unions of their choice and to become a member of and hold wage negotiations with such trade unions, may under no circumstances be restricted by the suppliers.
4. There shall be no discrimination on the basis of personal attributes or predispositions of employees.
5. The use of forced labour, physical punishment, physical or mental coercion is forbidden.
6. The safest and healthiest working conditions are guaranteed. Similar principles apply to the accommodation that must be provided for the employees.
7. The suppliers and secondary suppliers declare their consent to this code of conduct being monitored either by a Hipp company or an independent organisation. Any infringement against this code of conduct made known to the Hipp company may lead to a severing of the business relationship.
8. The suppliers declare their willingness to indicate any infringements against the aforementioned regulations on their part and on the part of their secondary suppliers to the relevant Hipp company immediately and automatically.