

General sales conditions

ART. 1 – CONTRACT LAW – These general conditions shall apply to any contract agreed and entered into by the Parties in writing or in any other form.

When applying these general sales conditions to special contracts, any rules for exceptions from and variations to shall be established in writing.

ART. 2 – CONCLUSION OF THE CONTRACT – The Sales Contract shall be considered as concluded by the Parties at the time of receipt of the Order Confirmation following the Customer's order or the acceptance by the Customer of the order proposal.

Orders taken by agents, representatives or sales assistants are always subject to "the approval of the Company", while they are binding on the Buyer. The orders that are not confirmed within 30 days shall be deemed to have not been accepted.

ART. 3 – PRODUCTION ORDER – Any production orders for specific processing or any exceptions from the characteristics given for the product, must be indicated in the order confirmation, in the acceptance of the order proposal or in the contract entered into by the parties.

ART. 4 - DELIVERIES – All delivery terms shall be defined in accordance with INCOTERMS in force at the time of concluding the contract.

Where no INCOTERMS are specified, the delivery shall be made free mill, carriage forward in Italy or EX WORKS (INCOTERMS 2010 ICC, Paris) if abroad.

For deliveries carriage forward or EX WORKS, at Buyer's request the Seller shall deliver the goods to the agreed destination; the transfer of risks shall be at the seller's mill/warehouse or at the external warehouse fixed by the seller at the time of delivering the products to the carrier.

Unless otherwise agreed, partial deliveries shall be allowed.

If the goods are ready for delivery and the shipment is delayed for any reasons not ascribable to the Seller, any and all risks shall pass to the customer at the time when the goods are notified as being ready for collection or delivery. The Seller shall also be entitled to charge any storage or other additional costs incurred.

Unless otherwise agreed, the deliveries of the goods will start within 60 days from receipt of the production orders. Any delay in the approval of the colour shades of the sample for the supply of top died yarns, which must be approved or refused by the Buyer within 6 working days of its receipt, has the effect of reasonably extending the delivery term. The Buyer undertakes to collect the goods at the Seller's plant or warehouse, or at the conditioning mill by and within 3 days of receipt of invoice and packing list or of the conditioning report. Failure to comply with the goods delivery and collection terms – which are binding both on Seller and Buyer – shall entitle the other contractual party to terminate the contract by law, even for only the part of goods being ready for delivery, without prejudice to the right to claim compensation. A tolerance of 12 working days for the terms of each single delivery is agreed in favour of the seller.

Should damages to the Product be detected upon receipt at the agreed place and prior to unloading the goods, the Buyer undertakes not to unload the goods and to immediately inform the Seller and/or its local sales network.

ART. 5 – EXCUSE OF PERFORMANCE – When and to the extent that a delay and the performance of contractual obligations is prevented by events not ascribable to any of the parties (such as war, governmental measures which make the contract illegal, fire, collapses, strikes, lockouts, riots, flood, epidemics, machine breakdowns, failures from suppliers due to transport disturbances, or any other event due to unforeseeable circumstances or force majeure), which prevented or significantly reduced the production in the Seller's or

Buyer's plants, the delivery terms will be extended by 45 days and by 90 days in the most serious cases. Should the impossibility of delivering persist after the said terms have elapsed, the contract shall be considered terminated by right, on production of a declaration of intent to use the termination clause, with no further obligation for the parties to pay compensation for any damage suffered.

Option:

The Seller shall not be held liable for delay in deliveries or non-performance directly or indirectly caused by:

- *events of Force Majeure (in terms of this clause, an event of Force Majeure includes, but not limited to, statutory prohibitions, wars, riots, revolutions, strikes or other work-related disputes, fire, flood, sabotage, nuclear accidents, earthquakes, storms, epidemics);*
- *circumstances beyond the Seller's control that prevent the Seller from finding workforce, raw material, components, machinery, energy, fuel, means of transport, government authorizations or provisions.*

When and to the extent that an event of Force Majeure prevents the Buyer from fulfilling its obligation, the Buyer shall indemnify the Seller for the costs borne for the insurance and custody of the Product.

ART. 6 – PRICES AND PAYMENT – The price is always for net kilogram of yarn - commercial weight, i.e. weight of conditioned goods. Any increase in labour costs after the conclusion of the contract will involve an increase in the originally agreed price. Current and new taxes and duties as well as any their increase occurring during the execution of the contract are at the Buyer's expense, unless otherwise provided for by law.

Unless otherwise agreed upon, payments shall be made by bank transfer to the account given by the Seller.

Any delay or irregularity in payment, even if referred to another contract, shall give the Seller the right to suspend supplies or to cancel any current contracts and to compensation for damages, in addition to the interests for late payments as provided for by Legislative Decree 231/2002.

In all cases, if the Buyer is late in paying any of the amounts due or if its financial situation drastically changes so as to jeopardize payments, or if it has no immediate declaration or information on its creditworthiness, the Seller has the faculty to request the payment prior to delivering the goods in relation to pending deliveries under any existing contract following the expiry of the time limit for payment. An example thereof is the exceeding of the credit limit granted by the insurer.

No disputes whatsoever nature shall confer on the Buyer entitlement to delay or suspend the payment of outstanding or already issued invoices.

ART. 7 – TECHNICAL REGULATIONS – The regulations laid down in the International Wool Association (IWA) are applied with regard to possible changes in volume, which are technically unavoidable, and to the determination of the commercial weight, conditioning included, for determining the yarn final count, length and tolerance.

ART. 8 – YARN COUNT AND QUANTITY TOLERANCE – With regard to the total weight of the production orders a 5% tolerance is allowed on the quantity fixed in the contract. For coloured yarns the Seller may deliver 10% plus or minus for each colour, within the tolerance of 5% set out in the contract. With regard to hand knitting yarns a weight tolerance of 2.5% for 50 units of grams and of 5% for 25 units of grams is allowed.

ART. 9 - PACKAGING – Tubes, cones and packing cases must be returned in good conditions and free delivered to the Seller's plant or warehouse within 4 months of the date of invoice. Failure to comply with within the said term, the Buyer shall be charged for such packages at price cost at the date of invoicing of the yarn.

ART. 10 – RETENTION OF TITLE

Should this clause be relied upon in the contract or in the confirmation of order, the product shall remain the property of the Seller until full payment of the product price.

The retention of title shall not have any effect on the transfer of risks.

The goods subject to retention of title must be insured by the Buyer against fire, theft and water damage. At the time of conclusion of the contract, the Buyer shall relinquish all insurance claims for the retention of title period.

The Buyer has, however, the right to dispose of and further process the goods subject to this clause in the context of its ordinary commercial operations. Such right ceases if the Buyer suspends payment or if bankruptcy or insolvency proceedings are opened in relation to its assets.

By processing the goods under the retention of title clause, the Buyer does not acquire the possession right of the new good. The processing of goods shall be deemed as being performed on behalf of the Seller.

When processing goods under retention of title, the Seller acquires a co-right on the new product in proportion to the value exposed in the invoice of the goods under retention of title used for the new product. The Buyer acknowledges the Seller's right arising from the re-selling of the goods offered for sale, also considering the extent to which the goods have been processed.

This right is limited to the value invoiced for the goods under retention of title which have been incorporated into another product.

The Seller shall not make use of the receivables assigned as long as the Buyer fulfils its obligations to pay. However, the Buyer must provide the Seller, on its request, with the names of debtors third party.

In the event of delay in payment or on the base of justified doubts about the Buyer's creditworthiness (such as reduction or cancellation of the credit limit by the credit insurance) or about its capacity to make payments, the Seller shall be authorized to collect the assigned claims and to request the return of the goods under retention of title; however, this will constitute ground for contract termination only in the presence of express declaration in writing by the Seller.

In the case of payment arrears, fair and ordinary commercial transactions are expected not to be ensured any longer.

Any foreclosures or transfer of the goods under retention of title, or credit assignment to third parties without the Seller's authorization are excluded. The Buyer undertakes to immediately inform the Seller of any seizure order by third parties.

ART. 11 – DEFECTS AND COMPLAINTS – The Seller's liability shall be limited to those defects attributable to production defects under its own responsibility.

Any damages resulting from the use of yarn not in compliance with normal technical rules cannot be subject of complaints. Similarly, the Seller shall not be responsible for defects deriving from material supplied by the Buyer or from technical specifications provided by the Buyer.

Should the yarn be delivered in several tranches, each delivery, despite being part of a single contract, shall be considered as a separate agreement; any dispute concerning a single delivery, shall have no effect on already performed or still outstanding deliveries, and each delivery shall be settled separately.

Without prejudice to the provisions laid down in art. 4, last paragraph, any complaints concerning weight, total tare, colour and apparent quality defects must be notified by the Buyer to the Seller by registered letter, under penalty of expiration, by and within 8 days of receipt of the yarn and prior to processing it. Any hidden

defects or anomalies must be notified by the Buyer to the Seller by registered letter, under penalty of expiration, by and within 8 days from their detection and not later than the beginning of the process that made them visible; in all cases not later than four months of the date of delivery.

After checking the correctness of the complaint, the Seller may replace the complained yarn within a reasonable term, having regard to the purpose of the contract and without any further obligation to pay compensation for damages.

Unless otherwise expressly agreed, the Seller does not guarantee colour fastness.

ART. 12 – JURISDICTION AND APPLICABLE LAW – Any disputes arising from this sales contract, including its validity, interpretation, execution and termination, shall be exclusively settled by the Court of Biella, also in the event of consolidation of actions.

The parties agree that the contract entered into by the parties and these general sales conditions shall be governed by the Italian law. In relation to international sales, the application of the United Nations Convention on Contracts for the International Sale of Goods (CISG; Vienna Convention 1981) is expressly excluded.

ART. 13 – LANGUAGE

In case of dispute or doubt of interpretation, the original Italian text of these general sales conditions shall prevail.