

**Manufacturing risk supplement
to the C Facility General Terms
of Contract**

These General terms of contract have been prepared in Hungarian and English, English translation for information purposes only.

In the event of discrepancies between English and Hungarian version, the Hungarian version shall prevail.

The Insurer undertakes, by applying these supplementary terms, to extend the cover to include manufacturing risks, and to pay to the Insured, in accordance with the terms and conditions set out in the insurance contract, the manufacturing costs associated with the insured product or service.

1. Point 5 (*Claims waiting period*) of Part I (*Interpretive provisions*) of the *General Terms of Contract* shall read as follows:

“The claims waiting period is 90 (ninety) days from the occurrence of the loss (Part X, point 1) sustained as a result of the insured event, *or 180 (one hundred and eighty) days in respect of the manufacturing risk.*”

2 Point 7 (*Object of the insurance*) of Part I (*Interpretive provisions*) of the *General Terms of Contract* shall read as follows:

“The production costs related to the insured product or service, as a result of which the Insured may suffer damage during the period of risk assumption due to non-performance of a valid foreign trade contract concluded between the Insured and the Debtor.”

3. The definition of Turnover report Point 9 of Part I (*Interpretive provisions*) of the *General Terms of Contract* is supplemented as follows:

“The Insured's monthly report completed by the 15th day following the reporting month on the standard form provided by the Insurer for this purpose with respect to customers with a credit limit, on the basis of which the Insurer includes the reporting month's turnover in the insurance cover and invoices the insurance premium. In the context of the data provision to be performed as part of the Turnover report, the Insured declares that the minimum Hungarian share of origin specified in the effective statutory provisions will be fulfilled in respect of the goods to be delivered, and it will obtain the prescribed certificates.”

4. Part I (*Interpretive provisions*) of the *General Terms of Contract* is supplemented with the following Point 10:

“10. Insured manufacturing costs:

Exclusively the following costs, paid by the Insured for the purpose of concluding and fulfilling the foreign trade contract, and certified with accounting documents, in connection with which performance by the Insured has not taken place, or if the failure of performance occurred after the commencement of the Insurer's risk assumption with the Insurer's written approval or at its express instruction:

a) with respect to the Insured's own activity:

1. the prime cost of materials and components manufactured by the Insured, which are built into goods not delivered, or related to services not completed;
2. the prime cost price of materials and components ordered, manufactured or processed by the Insured separately on the basis of the given foreign trade contract, if not among those listed in point 1;

3. the costs of direct wages and contributions attributable to the foreign trade contract, if not among those listed in points 1 and 2;
 4. the costs of direct wages and contributions attributable to the foreign trade contract, if not among those listed in points 1, 2 and 3;
 5. the costs of cancellation of the orders mentioned in point 2; or if the goods or services have already been delivered on the basis of the order, then the costs of these certified with an invoice
- b) sums paid to a third party, in the interest of fulfilment of the foreign trade contract, which are related to goods not delivered to the customer, to services provided by a third party in connection with the above, or to the termination of a contract concluded with a third party (e.g. a penalty imposed on the Insured despite the Insured's proceeding in compliance with the contractual terms);
- c) pre-financing, freight forwarding, freight insurance, credit insurance costs and commissions specified in the preliminary calculation of the foreign trade contract, if not among the costs listed in points a) and b)."

5. Part II (*Insured events*) of the *General Terms of Contract* shall read as follows:

"Insured events are the following events that may result in a loss for the Insured as a consequence of the non-fulfilment of the contract, during the period of risk assumption, in accordance with the following:"

Part II, point 2 is supplemented with the following insured events:

- 2. e)** unilateral termination by the Debtor, without legal grounds, of the export-purpose foreign trade contract, or unilateral refusal by the Debtor, without legal grounds, to accept the goods;
- 2. f)** a measure implemented by the government or another state authority of a third country other than the country of the Insurer or the Insured, which hinders fulfilment of the export-purpose foreign trade contract;
- 2. g)** a measure implemented by the government of the Insurer's or the Insured's country that hinders foreign trade, including measures implemented by the European Union, provided that no indemnification or other compensation is provided in respect of the losses incurred as a result of the measure."

Part II, point 3 a) shall read as follows:

"in the case of points 1. a), 2. a)-c) and 2. f) and g), the day of entry into force of the relevant measures or resolutions, and in the case of point 2. e), the day on which the Insured receives the notice/declaration on termination or refusal, or if this cannot be ascertained, the date of the declaration."

Part II, point 3. b) shall read as follows:

"in the case of point 1. b), if in respect of the Debtor a payment default insured event as defined in Part II, point 1. b) of the C Facility *General Terms of Contract* occurs in respect of an invoice with a given due date for payment, and as a consequence of this:

aa) the Debtor refuses acceptance of further goods or services, or the Debtor terminates the foreign trade contract without legal grounds, then in respect of these losses the 180th (one hundred and eightieth) day following the refusal, without legal grounds, of acceptance of the goods or following the termination of the contract without legal grounds

ab) the Insurer, in view of the imminent threat of loss or occurrence of an insured event, instructs the Insured to halt further deliveries to the Debtor, then the 180th (one hundred and eightieth) day following receipt of the Insurer's instruction."

6. Part IV (*Insurance premium and credit limit fee*) of the *General Terms of Contract* is amended as follows:

Part IV, point 2 shall read as follows:

"With regard to turnover-type facilities, the insurance premium is payable on the value of the concluded foreign trade contracts."

Part IV, point 3 shall read as follows:

"The Insured may pay the insurance premium in EUR or USD. The currency of the premium payment is to be specified in the *Policy* constituting a part of the contract. The Insurer determines the insurance premium payable by the Insured, and charges it to the Insured, as the product of multiplying the value *of the contracts*, as reported by the Insured per buyer and per term in the currency specified in the foreign trade contract, by the insurance premium items determined in the latest List of Terms and Conditions as per Part IV, point 2. In the case of payment in forint, the value of the turnover translated into forint at the official exchange rate published by the MNB on the last working day of the given month shall apply."

7. Part VII (*Terms and duration of the risk assumption, deductible*), point 1 of the *General Terms of Contract* shall read as follows:

"The Insurer's risk shall commence no sooner than on the date of entry into force of the given foreign trade contract, and shall last until the Debtor has paid off all its debt or an insured event occurs, provided that the Insured has paid the insurance premium and has a valid credit limit with respect to the Debtor from the commencement of the risk assumption."

8. Part VIII (*Obligation of the Insurer*) of the *General Terms of Contract* shall read as follows:

"The Insurer pays indemnification to the Insured, in compliance with the provisions of the *General Terms of Contract*, for losses deriving from insured events specified in Part II. The indemnification by the Insurer applies to insured production costs arising from non-performance of the foreign trade contract, up to a maximum of the credit limit, and in accordance with the insured loss ratio specified in the *Policy*."

9. Part IX (*Obligations of the Insured*) of the *General Terms of Contract* is amended as follows:

Part IX, point 1 is supplemented as follows:

“The Insured shall be obliged:

to send the monthly *turnover* report on the amounts of foreign trade contracts concluded with buyers, and of orders, using the appropriate form, to the Insurer by the 15th (fifteenth) day of each month following the reporting month;”.

Part IX, point 2 is amended as follows:

“to make a statement in the context of the data provision – representing a material condition with respect to the contract conclusion – to be performed as a part of the turnover report, that the required minimum Hungarian share of origin will be fulfilled in respect of the goods to be produced or services to be provided, and it will obtain the prescribed certificates;

- If the insured transaction is interrupted before the export is performed and an indemnity claim is submitted and the manufacturing of the export goods affected by the claim has not been completed or has not even started, then, for the purpose of proving the Hungarian origin of the goods, the Insured’s declaration provided in the turnover report shall provide the basis with respect to compliance with the required Hungarian share of origin.
- If the manufacturing of the export goods has been completed, the Insured shall obtain the certificate of origin from the chamber that is authorised to issue it, to prove the Hungarian origin of the manufactured goods, and shall send such certificate to the Insurer.

Part IX, point 6 is amended as follows:

“with regard to the loss prevention and loss mitigation measures, as well as the steps related to the recovery of losses, to proceed in such manner as can be generally expected in the given situation and to follow the instructions given by the Insurer, to include also litigated procedures and legal representation, as well as the granting of payment deferments, the rescheduling or possible sale or receivables, *agreements relating to the fulfilment of the foreign trade contract, and amendment of the schedules for fulfilment*. The Insured is also required to implement all such measures as support the utilisation (enforcement) of the collaterals, even in cases where the existence of collateral was not prescribed by the Insurer for the Insured as a condition for assuming the risk. The Insured is also required to implement, in accordance with the Insurer’s instructions, such loss prevention and loss mitigation measures as reduce the losses originating from the non-fulfilment of the foreign trade contract; it may not take any steps independently without the Insurer’s prior consent. The Insured is required to obtain the Insurer’s prior written consent before concluding agreements or making statements relating to the institution of legal proceedings, the granting of a payment deferment, conclusion of a settlement, payment rescheduling, or the waiving of debt or assumption of debt, with respect to both insured and uninsured receivables. The Insured is required to keep the Insurer continuously informed about the steps taken and the results thereof. The Insurer is required, in questions relating to consent, to give a substantive reply within the shortest deadline that may be reasonably expected of it.

The first paragraph of Part IX, point 7 is amended as follows:

“to assign all its receivables from the Debtor originating as a consequence of the insured event, increased by the deductible, payable under the general rule (established loss), up to the amount of indemnification paid, to the Insurer as the state’s agent, concurrently with the indemnification. If during the claims waiting period the Insured has not been able, in accordance with the Insurer’s instructions, to sell any goods, or semi-finished products ordered on the basis of the foreign trade contract or manufactured items and unused materials generated in the course of the manufacturing, then the Insured shall be obliged to hand over such goods, products and semi-finished manufactured items to the Insurer concurrently with the indemnification payment.”

Part IX, point 13 is amended as follows:

- in the case of production for export of goods, if production has been completed at the time of occurrence of the insured event, to obtain the certificate of origin or the endorsed certificate of origin from the authorised (chamber) body, and to submit it to the Insurer as evidence of the fulfilment of the required share of Hungarian origin, during the claims waiting period;

Part IX, point 14 is amended as follows:

- with respect to a service constituting the object of a foreign trade contract, to obtain the certificate issued by the body responsible for the registration of the Insured, and to certify to the Insurer that more than half of the employees of the Insured or its subcontractor – classified as a domestic business entity – participating in the provision of the service constituting the object of the export are persons in a legal relationship with it that entails an insurance obligation;

Part IX, points 17-19 are not applicable.

Part IX, point 21 is supplemented with the following:

“to proceed with the due care that may be expected of it in the interest of preventing or mitigating the loss, and thus especially to halt further deliveries with immediate effect upon learning of an imminent risk of loss/an insured event. In respect of any point of Part III and Part II of the C Facility *General Terms of Contract*, the manufacturing/delivery of further goods or the provision or performance of services in the framework of the given foreign trade contract may only take place with the prior written permission of the Insurer.”

10. Part X (Enforcement of claims, provisions relating to indemnification) of the General Terms of Contract shall read as follows:

Part X, point 1 shall read as follows:

“Proving the occurrence of the insured event and the amount of the loss is the obligation of the Insured. Within 15 (fifteen) days following the occurrence of the loss resulting from the insured event, the Insured is obliged to report it in writing, to take steps to enforce the collaterals, and also to issue an instruction to the Insurer to collect the insured claims.

The time of occurrence of the loss:

- a) in the case of an “insolvency” insured event (Part II, point 1. a)) and the other insured events listed in points 2. a)-d) of Part II and points 2. f)-g) of Part II, the day after the payment due date;
- b) in the case of a “default” insured event (Part II, point 1. b)), the 60th (sixtieth) day following the payment due date;
- c) in the case of an insured event listed in Part II, point 2. e), the day on which the Insured receives the declaration on termination *or the declaration on refusal to take delivery of goods*, or if this cannot be determined, the date on which the declaration was made.”

Part X, point 2 under the terms relating to manufacturing risk the following shall be construed:

“If the Insured incurs a loss as a consequence of an insured event under these supplementary terms relating to manufacturing risk, but a trade dispute has arisen in connection with payment of the consideration for goods or services already delivered prior to this in the framework of a foreign trade transaction in accordance with the C Facility *General Terms of Contract*, in which the Debtor disputes the legal grounds for the receivable or the amount thereof, then the Insurer shall also postpone, until the legally binding conclusion of the trade dispute, the indemnification in respect of the claim relating to the manufacturing and production costs disputed by the Debtor and falling within the scope of these supplementary terms relating to manufacturing risk, and the Insurer shall not participate in the collection of the receivable constituting the subject of the trade dispute.

The Insurer, however, shall commence the claim assessment on the basis of the available information and data, and – if the claim can be assessed irrespectively of the outcome of the commercial dispute – shall assess the claim. The Insured, following receipt of the legally binding decision, supporting an outcome that is favourable for the Insured, is required to submit such documents to the Insurer without delay following its receipt, or, if the limitation period of 1 (one) year defined in Part XIV, point 1 available for enforcement of claims has expired, within a limitation period of no more than 3 (three) months.

If, however, a trade dispute has not arisen with the Debtor in connection with payment of the consideration for goods or services already delivered earlier in the framework of a foreign trade transaction, and the Debtor refuses, without legal grounds, to accept the goods or services from the Insured, or terminates the foreign trade contact without legal grounds for doing so, then the Insurer, upon the occurrence of an insured event relating to these production costs, shall not apply the legal consequences set out in Part XI (*Limitations*), point 2.1 of the C Facility *General Terms of Contract*.”

Part X, point 6.1. b) shall read as follows:

“in the case of default, and the insured events as per Part II, points 2. a)-g), the expiry date of the Claims Waiting Period following the occurrence of the event.”

11. Part X (Enforcement of claims, provisions relating to indemnification) of the General Terms of Contract shall be supplemented/amended with the following provisions:

Part X, point 3 is amended as follows:

“In order to prove the occurrence of the insured events under Part II, points 2. a)-g), depending on the event, the certificates issued by the relevant ministry, foreign representation office, the MNB or the Insured’s bank, the Debtor’s declaration dissolving (terminating) the foreign trade contract , or declaration on refusal to take delivery of goods and any other certification deemed necessary by the Insurer, must be attached.”

Part X, point 6.3. a) shall be amended as follows:

“The amount of indemnification is reduced by the payments made in connection with the insured claims by the Debtor or by a third party based on an agreement with the Debtor (e.g. an advance) unless such amount legitimately had to be repaid to the buyer”

Part X, point 6.3. c) is supplemented with the following:

“The amounts received to a third party or the sale in another manner of goods, services, manufactured items or semi-finished manufactured items and unused materials not accepted or returned under the insured foreign trade contract after the occurrence of the insured event, as well as the Insurer’s share of the justified and certified costs expended on the sale.”

12. Part XI (Exemption of the Insurer, limitations) of the General Terms of Contract is amended as follows:

Part XI, point 1.3 is supplemented as follows:

“The Insured has, without the Insurer’s prior written consent, granted a payment deferment or debt rescheduling for the Debtor, or has forgiven his debt either in part or in full – regardless of whether this happened before or after the due date – *and furthermore, if it has amended the foreign trade contract, without the Insurer’s consent, and the Insured’s loss occurs as a consequence of such amendment,*”

Part XI, point 1.4 is supplemented as follows:

“on the first day of the period of the Insurer’s risk assumption in accordance with Part VII, point 1, an imminent loss or an insured event arose with regard to any, either insured or uninsured, foreign trade contract concluded with the Debtor, including cases in which the Insured had an otherwise valid limit in respect of the Debtor, *unless the Insurer has given its prior written consent for the conclusion of further contracts with the Debtor.*”

Part XI, point 2.1 shall be interpreted as follows:

“Upon the occurrence of an insured event falling within the scope of these terms relating to *manufacturing* risk, the restrictive provision set out in Part XI, point 2.1 of the C Facility *General Terms of Contract* shall be applied in accordance with point 10 of these supplementary terms.”

13. Part XII (*Exclusions*) of the *General Terms of Contract* is amended as follows:

Part XII, point 1:

“The Insurance shall not cover:

1. receivables originating from a penalty, a contractual fine, default interest or indemnification, excluding an indemnification claim related to the production of the goods or provision of services, resulting from the termination of the foreign trade contract by the Debtor without legal grounds, or the refusal by the Debtor, without legal grounds, to accept the goods, or which indemnification claim is asserted against the Insured in accordance with Part I, point 10, where this is certified by the Insured with the appropriate documents (order, invoice, contract, correspondence with suppliers, etc.);”

Part XII, point 5 shall read as follows:

“losses with regard to which the Insured did not have a valid credit limit with respect to the Debtor at the time of *conclusion* of the foreign trade contract;”