



January 5th 2009

NOTIFICATION TO ALL VENDORS

Dear Sirs,

Customer service level is a critical driver in this period of difficult business, therefore we expect from our vendors faultless fill rates in terms of delivery on time and product compliance to the specifications.

We are facing too many customer delivery disruptions due to vendor delays. Vendor order acknowledgment due dates is taken as the guaranteed date of delivery.

Vendors systematically failing in terms of delivery on time will be notified by their buyer a first required action plan and associated deadline. When we reach the deadline, if delivery is not made within the time specified by the order, we will apply the following lateness penalties against last 6 months deliveries period:

- 2% of the total before tax from the fourth day overdue,
- 0.2% for each following day.

Penalties will be then applied till the vendor is back to on time delivery situation.

In addition the level of product not complying to our requirement remain far too high resulting in increased internal costs being incurred. These costs are currently not being fully invoiced back to the vendor

Therefore we are going to apply following rules:

- A 150€ (or equivalent) penalty fee will be applied to cover our internal costs for any non conformity report released by our quality department involving vendor responsibility.
- In case we have to sort, isolate or destroy defective goods the costs will be invoiced back at an equivalent amount of 33€ per hour spent in our warehouses.
- In case we don't have time to send back the defective goods for correction and incur potential sorting and modification costs to make the goods saleable, these costs will be re-invoiced to the vendor at an equivalent amount of 55€ per hour spent in our warehouses.
- In case the effective goods have to be returned to the vendor it will be on a carriage due basis.
- If the time required to manage the non conformity brings a delivery disruption toward our customers we will apply following penalties:
 - 2% of the total before tax from the fourth day overdue,
 - 0.2% for each following day.

If the estimated cost to sort or modify the products is over 300€, the vendor will receive a notification and will have the possibility to send persons, time permitting of its choice to do this operations in our warehouses under the condition that this meet with the law and regulations in force. On receipt of notification the vendor will have 24 hours to indicate its choice.

If the amount is below 300€ and we don't have time to send back the goods, these operations will be done and invoiced back.

All these costs will be mentioned on the non conformity report sent to the vendor.

Best regards

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Finished Goods procurement manager