



GENERAL TERMS AND CONDITIONS OF PURCHASE

Article 1 Scope of application

- (1) All orders of
REO ELEKTRONIK AG
Brühler Str. 100
42657 Solingen
and
REO INDUCTIVE COMPONENTS AG
Brühler Str. 100
42657 Solingen
– hereinafter referred to as REO –
are only subject to the present terms and conditions,
unless it has been otherwise agreed in writing.

- (2) The General Terms and Conditions of Purchase shall apply to the companies according to Section 14 of the German Civil Code (BGB) (“the Supplier”). They shall also apply to all future transactions with the Supplier, even if no explicit reference is made to them. The version valid when the contract is concluded shall be applicable.

- (3) The General Terms and Conditions of Purchase shall apply exclusively. The terms and conditions of the contractor in its GTC or order confirmation are hereby clearly objected to. The acceptance of order confirmations or deliveries without reservations does not constitute the acknowledgement of such terms and conditions. Unless REO clearly agrees in writing that they are applicable. No ancillary agreements exist.

- (4) Upon the first delivery according to the Terms and Conditions of Purchase, the Supplier acknowledges their exclusive applicability, also for any other orders.

Article 2 Orders, order confirmations

Orders and order confirmations are valid, only if they are in writing. This shall also apply to amendments and supplements to the reached agreements and ancillary agreements. The renouncement of the written form requirement must also be in writing.

Article 3 Delivery, periods, contractual penalty

- (1) The specifications and delivery periods provided in the order are binding. Amendments must be agreed in writing.
- (2) Delivery periods refer to the receipt of goods at the delivery address provided in the order. They start from the date of order. The Supplier shall not be entitled to partial deliveries, unless it has been otherwise agreed.
- (3) REO is not obligated to acceptance before the delivery period.
- (4) REO is entitled to refuse the acceptance of goods which are not delivered according to the delivery period provided in the order and is entitled to return them or store them at third parties at the costs and risk of the Supplier.
- (5) If, irrespective of the cause, delays in delivery are to be expected, the Supplier must immediately notify REO, as soon as it becomes apparent to it. The legal and other contractual rights in the case of delayed delivery of the Supplier shall not be affected by this provision.
- (6) The Supplier undertakes to pay a contractual penalty in the amount of 0.5% of the net order volume to REO for each case of culpably exceeding the delivery period for each started week of exceeded delivery period,

however, a maximum of 5% of the order volume. The contractual penalty shall be charged to further statutory compensation claims whose assertion remains unchanged. Further, REO shall be entitled to enforce the contractual penalty even if it has not been explicitly reserved upon the acceptance of goods until the settlement of the invoice of the Supplier.

- (7) REO order and article number must be provided in all shipping documents, letters and invoices.

Article 4 Surrendered materials

- (1) The tools, forms, designs, models and plans surrendered to the Supplier by REO to be compiled shall remain the property of REO. Without the written consent, they and the objects produced with their use may not be forwarded to third parties or used otherwise than for the contractual purposes.

- (2) With the reservation to any other rights, REO can demand immediate release.

- (3) The Supplier must replace the lost or damaged tools, forms, designs, models and plans, unless it is not responsible for the loss or damage.

Article 5 Prices and transfer of risk

- (1) Cost of transport, including the packaging, insurance and all other additional costs are borne by the contractor, unless it has been clearly agreed otherwise.

- (2) The risk of accidental loss and accidental deterioration shall be transferred to REO upon a complete handover of the item to REO.

- (3) The price agreed between REO and the Supplier shall be a fixed price.

Article 6 Acceptance

- (1) The delivered goods shall be inspected for any visible quality or quantity deviations within a reasonable period. Hereby, complaints can be made about the visible, noticeable defects until the expiry of 10 business days after the receipt of goods. Complaints about latent, not immediately noticeable defects can be made until the expiry of 10 business days from their discovery.

- (2) If an acceptance according to Section 640 of the German Civil Code (BGB) must take place, REO is entitled, but not obligated to partial acceptance.

- (3) Labour disputes, breakdowns and other cases of force majeure exempt REO from the obligation of acceptance until the reason for an obstacle disappears. If the obstacles last more than three months, each party is entitled to withdraw from the contract.

Article 7 Call orders

- (1) In the case of call orders, REO is entitled, but not obligated to call a maximum of the goods quantity agreed with the Supplier within the period agreed with the Supplier.

- (2) If there is a call, the delivery must be made within 10 days.

Article 8 Payments

- (1) Payments are made within 14 days with 3% discount or within 30 days net. The payment period starts as soon as the delivery or performance is fully completed and the properly issued invoice is received.

- (2) Payments are made subject to a proper delivery and correct pricing and calculation.



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- (3) Payments do not imply any renunciation of the contractual or statutory rights of REO concerning the delivery or performance, such as later submission of complaints about defects, enforcement of warranty claims and compensation.

Article 9 Offsetting and rights to retention

The Supplier is authorised to offsetting and enforcing Sections 273, 320 of the German Civil Code (BGB), only if its counter-claims are determined as indisputable or legally binding. Further, the enforcement of the right to retention requires that the claims of the Supplier refer to the same contractual relationship.

Article 10 Warranty

- (1) The Supplier assumes a full warranty that the goods delivered by it are free of defects. In the case of defect, REO is entitled to the legal warranty rights.

- (2) Improvements must be made at the place where the goods are located (if applicable, after resale by REO).

- (3) If the Supplier fails to fulfil its obligation of supplementary performance within a reasonable period to be determined by REO, the latter is entitled to remove the defect by itself and demand the refund in the amount of the expenses incurred.

- (4) The statutory warranty period shall apply. During the period of supplementary performance (improvement, subsequent delivery) the statute of limitations for the warranty claims is suspended according to the following provisions, if the Supplier was obligated to remove the defects:

- For the subsequently delivered parts of goods, the warranty period restarts when the subsequent delivery is completed.
- For the improved parts of goods, the warranty period restarts when the improvement is completed, if it referred to the same defects or the consequences of an inadequate improvement.

- (5) If REO withdraws from the contract due to a defect of the purchased item, the Supplier must refund the contractual costs to REO, unless REO is responsible for the reason to withdraw.

- (6) The Supplier guarantees that no third party rights are breached in relation to its delivery. If there is a claim filed against REO by a third party due to the breach of its rights, the Supplier must indemnify REO against such claims. The obligation to indemnify refers to all expenses which have been necessary to incur by REO in relation to a claim filed by a third party.

Article 11 Product liability

- (1) The Supplier must indemnify REO against the claims of third parties based on product liability, if and to the extent it is responsible for the product defect and damages suffered according to the principles of product liability law. In the context of this obligation, the Supplier must further refund to REO any expenses which have been incurred as a result of or in relation to a recall campaign organized by REO.

As soon as it is possible and reasonable, REO shall notify the Supplier about the content and scope of the recall measures to be taken and shall give the Supplier an opportunity to issue a statement.

- (2) The Supplier undertakes to maintain and provide evidence to REO for a product liability insurance with the sum insured of at least € 550,000.00 lump sum per personal injury/material damage.

- (3) Other statutory claims shall remain unaffected.

Article 12 Compensation claims

- (1) Compensation claims against REO for minor negligence, irrespective of the reason, shall be excluded. This liability exclusion shall not apply to the compensation claims which refer to the breach of a material contractual obligation by REO. Further, it shall not apply to the cases of loss of life, injury to the body and health and in the case of compulsory legal liability conditions, namely resulting from the Product Liability Act.

- (2) However, in the case of a minor negligence breach of material contractual obligations and serious negligence of ordinary vicarious agents, the compensation shall be limited to the replacement of foreseeable, typical damages at the time of concluding the contract.

- (3) If the liability of REO is excluded or limited, this shall also apply to the personal liability of its employees, workers, personnel, representatives and vicarious agents.

Article 13 Substances in products / raw materials / materials / packaging

The Supplier guarantees that it complies with the requirements of the EU chemicals regulation REACH (Regulation (EC) No. 1907/2006 issued on 30.12.2006) in its applicable version, hereinafter referred to as the REACH regulation, in particular that all substances are registered according to the SVHC list.

The Supplier further guarantees not to deliver any products, including their packaging which contain the substances according to:

- the REACH Regulation in its applicable version;
- the Council Decision 2006/506/EC (the Stockholm convention on persistent organic pollutants in its applicable version);
- the EC Regulation 1005/2009 on the substances that deplete the ozone layer in its applicable version;
- the Global Automotive Declarable Substance List (GADSL) in its applicable version (at www.gadsl.org);
- RoHS (2002/95/EC) for products according to their application areas.

If the delivered goods contain the substances which are mentioned on the so-called "Candidate List of Substances of very High Concern" ("SVHC list") according to REACH, the Supplier must inform about this immediately. This shall also apply, if in the case of the on-going deliveries, substances which have not been listed yet are included in this list. The valid list can be found at <http://echa.europa.eu/web/guest/candidate-list-table>.

Moreover, the products and their packaging must not contain any asbestos, biocide and radioactive material. If these substances are contained in the products delivered to REO, the latter must be notified in writing before the delivery, including the name of substance, identification number and a valid safety data sheet of the product to be delivered. The delivery of these products requires a separate consent by REO.

The Supplier must indemnify REO against any liability related to the non-compliance of the Supplier with the above-mentioned regulations or must compensate REO for the damages suffered by REO as a result of or related to the non-compliance of the Supplier with the regulations.



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Article 14 Use of “Conflict Minerals” with reference to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd Frank Act)

The Supplier is aware of its social responsibility regarding the environment, safety, health and human rights as well as understands that its conduct during business transactions has an impact on the society and environment. To ensure a peaceful, fair and sustainable use of our worldwide resources, the Supplier guarantees the following:

Any products of the Supplier do not directly or indirectly contain the conflict minerals from mines which are financed or supported by the armed groups in the Democratic Republic of Congo or the neighbouring countries (Angola, Burundi, Rwanda, Zambia, Sudan, Tanzania, Uganda and the Republic of Central Africa). The Dodd-Frank Act refers to, in particular, zinc, tantalum, wolfram, columbite, gold and their derivatives mined from the above-mentioned sources.

Article 15 Compliance, human rights, occupational safety and environmental protection

The Supplier must not commit the acts or refrain from the acts which can lead to a punishable offence due to a fraud or breach of trust, bankruptcy offences, offences against competition, undue advantage or corruption of the persons employed by the Supplier or other third parties. The Supplier must comply with all legal acts and regulations which concern the Supplier and business relationship with REO (compliance). The acts of persons employed by or working for the Supplier shall be attributed to the Supplier, if these persons work in the area of the Supplier's responsibility.

The Supplier undertakes to work towards the respect of human rights and social standards in its environment according to Clause 3 and respect for environment, as well as refrain from and prevent the measures which contradict these objectives, as far as possible. The Supplier shall immediately notify REO of the breaches against the above-mentioned regulations, also by its suppliers without any further request.

In his environment, the Supplier shall strive to maintain decent working conditions through reasonable limitation of the working time, observance of the minimum wages and occupational health and safety as well as to prevent the breaches of the above (social standards). In particular, the seller shall take measures against child and forced labour.

The Supplier undertakes to comply with the legal regulations on environmental protection and to take measures for environmental protection. Each delivery must be made in the packaging suitable for the product and coordinated with REO subject to adherence to the applicable environmental protection regulations. At the same time, the environmentally friendly form of packaging must always be selected with environmental considerations in mind and the application of reusable packaging (Euro palettes).

Article 16 Statute of limitations

Without prejudice to Article 10(4), the legal regulations shall apply to the statute of limitations.

Article 17 Place of performance and jurisdiction

(1) The place of performance is the place where the goods must be delivered according to the contract or the place of business of REO, if the place of delivery is not agreed.

The place of jurisdiction shall be the business address of REO, if the Supplier is a merchant or has no general place of jurisdiction in Germany. However, REO is entitled to file a suit against the Supplier also at its place of jurisdiction.

(2) German law shall apply to all legal relationships exclusively. The UN convention on the international sales of goods shall not apply.