

General Conditions of Purchase of Hydraulik Nord Fluidtechnik GmbH & Co. KG

1. Validity / formal requirements

1.1 Only the following general Terms of Purchase (TOP) apply to contracts between Hydraulik Nord Fluidtechnik GmbH & Co. KG, Parchim (Client) and the supplier (Contractor). Changes are only effected by means of written agreements.

1.2 Any differing, conflicting or supplementary terms and conditions of delivery by the Contractor are only valid if the Client expressly agrees to this in writing. This consent requirement always applies, for instance even if we accept the delivery unconditionally in the knowledge of the terms and conditions of the purchaser. By performing the order, the Contractor acknowledges the conditions of the Client, even if he confirms with his own terms and conditions. The TOP also apply as a basic agreement for all future orders placed by the Client with the Contractor without the need for us to refer to them again.

1.3 Any individual agreements met on an individual case basis with the Contractor (including subsidiary agreements, additions and changes) always take precedence over these TOP. All legally relevant or binding declarations by the Contractor must be made in writing provided no other conclusion is drawn from the document itself. This declaration can be sent by post or as an e-mail attachment in pdf format.

1.4 References to the validity of legal requirements only have a clarifying significance. Even without clarification of this nature, the legal requirements apply unless they have been directly modified or expressly excluded in these TOP.

1.5 A violation and/or failure of the Client to assert or exercise their rights by no means signifies their renunciation of these rights in the future.

1.6 Commercial and technical correspondence is to be sent exclusively to the purchasing department of the Client, quoting the order number and parts name.

1.7 The language of the contract is German. The Contractor submits all written information and explanations in German and, in international transactions, in English, provided this has been expressly agreed with the Client.

1.8 Only the German version of these TOP is binding.

2. Enquiries/offers

2.1 Enquiries are non-binding and do not oblige the Client to accept the services.

The preparation of offers or projects by the Contractor is done free of charge unless otherwise expressly agreed in writing. The prepared offers are binding, with a binding period of at least six weeks following submission of the offer.

2.2 The Client remains the owner of the enquiry documentation. The Contractor is to return the order documents with the offer: the Contractor is not authorised to keep these documents, to make copies of them for their own purposes or to publish the documents. In the event of a contravention to this provision, the Client can assert claims for damages. By accepting the enquiry documentations, the Contractor expressly acknowledges this right.

2.3 With every offer made by the Contractor the Contractor is obliged, in view of their expertise, the specification and requirements of the service, taking into consideration the notified or recognisable purpose and other information provided by the Client, to independently carry out an inspection for completeness, consistency, mistakes and errors and to notify the Client in good time and in writing about any reservations, doubt or restrictions regarding the service or goods along with the submission of the offer at the latest. This also applies if such doubts or reservations or limitations occur before or only during the course of the preproduction or series production. The Contractor takes into account the fact that the goods / products of the Client are marketed and used globally.

2.4 In their offer, the Contractor will take into consideration all of their own requirements as well as the requirements of the Client and submit the Client a complete offer.

2.5 During the term of the contract, the Contractor will at all times do their best to maintain a technological, quality and price level with regard to the manufacture and the sale of their services or goods that is at least as competitive as that of other manufacturers of equivalent goods and services for the intended applications.

3. Orders

Only those orders, agreements and subsidiary agreements made in writing by the Client are valid. Any change or supplement must be confirmed in writing to be valid. The Contractor is to confirm all orders and agreements without delay by signing and returning the order copy. Upon accepting the order, the Contractor is obliged to deliver the product in the requested quality, quantity and time. In the case of annual or framework orders, the quantity delivered is indicated by the Client by means of separate calls. The purchase commitments of the Client result from the terms and conditions of the contract.

4. Prices

4.1 The agreed prices, which are also quoted in the order, are fixed prices and, unless otherwise agreed, apply until such time as the ordered delivery quantity has been delivered.

4.2 The price includes all activities and obligations of the Contractor pertaining to and in conjunction with the performance of the service and of the further applicable agreements and the “DDP (INCOTERMS 2010)” delivery term – named place of destination – including packaging unless a different agreement has been expressly made in writing. VAT at the legally applicable rate is not included in the prices. It is to be shown separately on the invoice at the legally applicable rate on the date of the invoice.

4.3 In the case of price reductions and/or discount increases, the Contractor is obliged to pass on these price advantages to the Client unsolicited, even in the event of on-going orders.

5. Delivery conditions/delay/penalty for breach of contract/sub-contractors

5.1 The agreed or on-call delivery and service deadlines are binding and must be complied with. If a delivery time has been agreed, the delivery time commences on the date of the order. The date of the arrival of the goods at the place of performance is binding for compliance with the delivery deadline.

5.2 The place of performance of services of the Contractor is always the receiving office quoted in the confirmation letter of the Client. If no receiving office is included in the confirmation letter of the Client, the destination is the Client's factory in Parchim.

5.3 The Client is to be notified immediately about any delays to the delivery and possible quality defects or deviations to quantity discernible by the Contractor, and reasons for such and suitable countermeasures are to be given. The Contractor is to pay the Client compensation for damages caused by the delay. In the event of late deliveries, without the necessity for a further warning, the Contractor is in default unless he is not responsible for the delay in delivery. In the event of a delay, and following the unsuccessful setting of an extension, the Client is entitled, at their discretion,

- To request the subsequent delivery and compensation for damages caused by the delay
- To perform the service performed by the Contractor themselves, or
- To have it performed by a third party at the expense of the Contractor
- To withdraw from the contract and/or
- Request compensation for damages instead of the delivery, or
- To request compensation for wasted expenditure in place of compensation for damages instead of the delivery.

The setting of an extended deadline is unnecessary if, according to the circumstances, weighing up both parties' interests, this seems to be justified (§§ 281 para. 2, 323 para. 2 BGB – the German Civil Code). The right of withdrawal from the contract of the Client in the event of the delivery delays does not require the Contractor to be responsible for the delay in delivery.

The fact that the Contractor is not responsible for the delay in delivery as defined by force majeure is described in Point 14 “Termination” and applies appropriately.

5.4 Furthermore, the Client is entitled to request a contractual penalty amounting to 0.5% of the total order value per day of delay: however, this amount may not exceed 5% of the total order value. In the case of an assertion of a claim for damages by the Client, a forfeited contractual penalty is deducted as the minimum amount of the damage. Should the Client accept the delivery, they can only request the penalty if they reserve the right to do so by the final payment at the latest.

5.5 The Contractor can only refer to the absence of the documentation, information, materials and packaging to be provided by the Client if he sends a written reminder for such and does not receive it by a suitable deadline.

5.6 If the Contractor delivers earlier than agreed, the Client is entitled, at their discretion

- to return the delivery at the expense of the Contractor, or
- to store the delivery at the expense of the Contractor.
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5.7 The agreed quantities must be precisely complied with. In the event of over-delivery, the Contractor is to immediately take back the excess delivery at his own expense and to compensate the Client for any damage caused by the excess delivery. In the event of shortfalls, the Client is entitled to refuse acceptance of the delivery and/or to request compensation for damages. However, the Client can only request compensation for damages if they are not interested in a partial delivery.

5.8 The risk for dispatch and transportation are borne by the Contractor. It is only upon the hand-over of the delivery at the place of performance that the risk is transferred to the Client. Shipping documents and delivery notes with the precise details of the contents, the order number, the order date, the parts number and name as well as the place of delivery are to be sent to the department placing the order and the receiving office. The Contractor is liable for false, incomplete and late shipping documents.

5.9 Advice notes or delivery notes signed by the Client are only valid as a confirmation of receipt of the delivery without

any acknowledgement of its lack of defects, completeness or performance of the order.

5.10 The goods are to be delivered between 7 a.m. and 3 p.m. No goods will be accepted on Saturdays, Sundays and on public holidays.

5.11 Without our prior written consent, the Contractor is not entitled to have a third party (such as a subcontractor) perform the service he has been commissioned to perform.

6. Dispatch/packaging

Packaging is to comply with the guidelines of the pertinent valid agreed packaging ordinance. The Contractor agrees to take back the packaging at his expense and at his risk, unless a different agreement has been made in writing as covered by the valid packaging ordinance.

Unless otherwise regulated in the packaging requirements of the Client, the goods and services are to be packaged in a way that is customary in the trade, in appropriate and recyclable material. The Contractor will point out to the Client in good time, and in writing, any risks of the packaging requirements of the Client.

The packaging units are to be clearly labelled with parts number, parts name and quantities. Any additional costs arising from non-compliance with agreed shipping instructions or from express deliveries made by the Contractor are to be borne by the Contractor.

7. Terms of payment/non-assignment clause

7.1 The Client is to be sent an invoice by post for each delivery. The Contractor is to provide information regarding the order number, order date, parts number and parts name in the invoice. VAT is to be shown separately on the invoice according to tax laws. If any elements are missing, the Client is entitled to reject the invoice.

7.2 The deadline for payment only ever commences upon receipt of the goods, of the correct delivery notes, any test certificates required according to figure 8 and following presentation of the rejected invoice.

7.3 The place of payment is always Parchim. Payment can be made at the Client's discretion either within 14 days with a 3% discount or by the 27th of the month following delivery in cash, without any discount.

7.4 The Client makes payments in the means of payment of their choice. The Client is entitled to offset the claims of the Contractor with counterclaims, irrespective of the legal basis. The Client becomes the owner of the objects of the delivery upon payment at the latest.

7.5 It is only with the written consent of the Client that financial claims from the prevailing order may be signed over to third parties.

8. Export control and customs

The Contractor is obliged to instruct the Client about any licence requirements pertaining to (re-)exports of their goods in accordance with German, European, US export and customs regulations as well as the export and customs regulations of the country of origin of their goods in their business documentation. With regard to this, the Contractor is to provide the following information pertaining to the pertinent items at least in their offers, confirmations of offer and invoices:

- The export list number in accordance with Appendix AL of the German Foreign Trade and Payments Ordinance or comparable list items of relevant export lists,
- For US goods, the ECCN (Export Control Classification Number) in accordance with US Export Administration Regulations (EAR),
- The trade policy origin of their goods and of the components of their goods, including the technology and software,
- Whether the goods are being transported through the USA, are being produced or stored in the USA, or have been produced with the aid of American technology,
- The statistical article number (HS code) of their goods, and
- A contact partner in their company in order to clarify any queries from us.

Upon request to do so by the Client, the Contractor is obliged to provide in writing all further foreign trade data pertaining to their goods and their components as well as to inform us in writing in good time about all changes to the aforementioned data (before the delivery of the goods affected by this).

The Contractor is obliged to always comply with all import regulations when making deliveries to the Client and to independently perform the relevant customs arrangements and to pay all costs accrued in connection with this.

9. Quality/quality assurance

9.1 The delivered goods must comply with the documentation such as drawings, specifications, patterns, etc. which form the basis of the order.

9.2 The Contractor is obliged to furnish a functioning quality system, documented in a quality assurance manual. By means of acceptance/tests, the Contractor is to ensure that the deliveries comply with the DIN, EN and technical values/regulations. Should, in the order, the Client request quality certificates and test certificates, the Contractor is to

include these with the delivery. The Contractor is to archive the test, measurement and control results for the Client and to make these results accessible to him. Assignment and the option of traceability are therefore to be guaranteed. The Client reserves the right to perform their own quality controls and, if applicable, a quality audit, at the business premises of the Contractor.

10. Drawings, patterns, tools, material orders

The drawings, sketches, patterns, tools and any other materials provided by the Client for the purpose of performing the order remain the property of the Client and may only be used for the contractually agreed purposes. They are subject to the duty of secrecy and may not be reproduced. It is only with the express written consent of the Client that they may be forwarded to third parties for the purpose of performing the order. Tools, moulds, etc. which are produced at the Client's expense become the property of the client upon production. The aforementioned objects are to be labelled as the property of the Client, to be stored separately as such and may not be made accessible to third parties in any form whatsoever. The Contractor is to keep these objects ready for use, and assumes any risk of loss, deterioration and damage. At his own expense, the Contractor concludes a relevant insurance policy on behalf of the Client. The aforementioned objects and material orders may only be used to perform the order placed by the Client. At the Client's request, these objects are to be returned to them free of charge following execution of the order. The Client is to be reimbursed in the event of deterioration or loss.

11. Secrecy/property rights of third parties/advertising

The Client and the Contractor are obliged to treat as a trade secret the order and all work, documents and technical and commercial order data arising from the order. Subcontractors are to be obliged accordingly. Any other use, in particular use for advertising purposes, requires the prior written consent of the Client. Publication of results also requires the prior express consent of the Client. The Contractor is obliged to deliver the purchased good free of the rights of third parties. At the first request, the Contractor is to release the Client of any claims arising from the violation of property rights in the Europe Union and in other countries in which the goods are delivered with the knowledge of the Contractor and to reimburse the Client for any damages which have arisen. The Contractor bears the costs of any legal disputes over property rights with third parties.

12. Warranty/remedy of defects/guarantee/supplier's regress

12.1 In particular, the Contractor is liable for the objects of the delivery having the agreed quality upon the passage of risk to the Client. Quality agreements are included in the order, product descriptions, drawings, patterns and quality requirements which – in particular by means of reference in the order of the Client or other correspondence during the order – are the object of the contract. This applies provided the Contractor has not expressly contradicted the contents of the product descriptions, drawings, patterns and quality requirements.

12.2 Quality is considered agreed in particular when

- The objects of the delivery are manufactured from the flawless materials specified in the documents containing the quality agreements,
- They have the agreed properties according to specifications in the documents containing quality agreements,
- They have been manufactured in line with the latest technology,
- The DIN/EN standards applicable on the day of the delivery have been complied with,
- Regulations of the trade associations, the accident prevention regulations of the professional association and safety prevention regulations have been complied with,
- There are no design or manufacturing defects, and
 - The delivery complies with the quantities, dimensions and quality specified in the order or in the documents containing quality agreements.

12.3 In view of the quality assurance obligations assumed by the Contractor, the necessary inspections are performed at the Contractor's business premises. The client therefore inspects the products purchased from the Contractor immediately following receipt only regarding compliance with the ordered quantity and identity as well as for externally visible damage to goods in transit.

The Client does not have any further inspection obligations in accordance with § 377 HGB (commercial code).

12.4 As soon as defects in a delivery are ascertained in line with the conditions of the standard course of business, the Client is to inform the Contractor immediately. In this respect, the Contractor waives the objection of delayed notice of defects.

12.5 If an object is defective, the Contractor is obliged to carry out a subsequent performance by means of repairs to the object or to make a substitute delivery at the discretion of the Client. If, despite the substitute delivery and/or repair, new defects constantly occur to individual parts during the warranty period, the Contractor is obliged to permanently rectify the defects by means of suitable measures.

12.6 In the event of repairs to or the substitute delivery of individual parts during the warranty period, the warranty period commences anew for the pertinent parts, unless the conduct of the supplier led us to believe that they did not consider themselves obliged to carry out the measures but rather only made the substitute delivery or rectified the defects for reasons of a willingness to oblige or for similar reasons.

12.7 Furthermore, in the event of a defective delivery, following the unsuccessful expiry of a deadline for making subsequent performance, in accordance with §§ 651 S1, 437 BGB (German Civil Code), the Client can

- Carry out repairs or substitute delivery themselves at the expense of the Contractor or have third parties carry out such, or
- Declare a reduction in price or withdraw from the contract, and
- Request compensation for damage or compensation for wasted expenditure.

The setting of a deadline is not necessary if the obligor refuses subsequent performance or if an exemption from the setting of a deadline is justified according to the conditions, taking into consideration the interests of both parties. The Client is not entitled to assert a claim for damages if the Contractor can furnish evidence that they are not responsible for the defects.

12.8 Defective and incorrect deliveries are returned at the risk and expense of the Contractor. The reworking rate for rework done by the Client is at least €62 per hour. The Client is entitled to claim higher damages if they can furnish proof of such.

13. Product liability

If the Contractor is responsible for damage due to product liability, they are obliged, at the first request, to release the Client from claims for damages asserted by third parties if the cause comes from his jurisdiction and organisation and they are liable for the legal relationship with third parties. In this connection the Contractor is also obliged to reimburse the Client for all expenses which may ensue from or in connection with a recall action carried out by the Client. The Client will notify accordingly the Contractor about any recall measures to be carried out in order to protect these obligations vis à vis the Client. The Contractor is obliged to take out adequate insurance to cover the consequences of defective deliveries (min. €5 million flat-rate product liability insurance for personal damage and damage to property maximised double per insurance year, min. €2.5 million per recall for all recalls during one insurance year).

14. Termination

The Client is entitled to terminate the contract:

- If, in the case of a contract for work and services or contract of works, as a countermove, the Client pays the Contractor a corresponding part of the remuneration for the work performed and compensation for the expenses not included in the remuneration.
- If deadlines are missed more than twice.
- If the Client is unable to accept the goods due to reasons for which he is not responsible, e.g. in the case of force majeure (natural disasters, strikes, unrest, etc.).

These and similar circumstances release the Client from the obligation to accept the goods for the duration of the circumstances if they cause a reduction in the requirement or if they prevent the Client from taking possession of the goods. In the last case, at the request of Client, the Contractor is obliged to store the goods at their own expense and risk until such time as the Client takes possession of the goods.

15. Statutory limitation

The statutory limitation of mutual claims by the contracting parties depends on the legal regulations provided no other provision is agreed in the following or in figure 12. Different to § 438 para. 1 no. 3 BGB, the statutory limitation is 3 years from the passage of risk.

16. Compliance

16.1 The Contractor is obliged to comply with the pertinent legal regulations pertaining to dealing with employees, the protection of the environment and health and safety at work, and to work on reducing negative effects to man and the environment during their activities. To this end, and within the scope of their abilities, the Contractor will establish and further develop a management system according to ISO 14001. Furthermore, the Contractor will comply with the principles of the Global Compact Initiative of the UN. Essentially, these apply to the protection of international human rights, the right to collective wage negotiations, the prevention of forced labour and child labour, the elimination of discrimination when appointing and employing people, responsibility for the environment and the prevention of corruption. Further information about the Global Compact Initiative of the UN is available at www.unglobalcompact.org.

16.2 Should, repeatedly and/or despite suitable notification, a Contractor behave unlawfully and not furnish proof that the contravention of the law has been healed as far as possible and appropriate measures for the future prevention of contraventions of the law have been taken, the Client reserves the right to withdraw from existing contracts or to terminate them without notice.

17. Data protection

The Client is obliged to process all data of the Contractor for their own use, taking into consideration the Federal Data Protection Act.

18. Place of jurisdiction and applicable law

The place of the headquarters of the Client is the place of jurisdiction for all contractual disputes. Only the law of the Federal Republic of Germany applies, excluding the United Nations Convention on Contracts for the International Sale of Goods (CISG).