

## GENERAL TERMS AND CONDITIONS OF SALE OF HOFTEX GROUP AG

Issued October 2014

### 1. Scope

These General Terms and Conditions of Sale apply to all products and supplies & services of Hoftex Group AG and the companies linked to it as members of the same group.

### 2. Offer and acceptance

The offering and acceptance of orders is done under the following terms and conditions. The validity of contradictory terms and conditions is explicitly excluded.

All offers are non-binding. The contract will only be concluded with contents that have been confirmed by us and only with our written confirmation.

Additions and amendments to the purchase contract must be made in writing.

### 3. Payment: See also the front page

Discount may only be applied to the pure value of the goods and including the rate of Value Added Tax that was applicable at the time of the delivery. Interest for late payment is to be 8% above the base rate. Deductions of any kind are not permitted.

Credit notes will always be offset from the grossed invoiced amount, any reduction due to discount already granted will be calculated back.

In the event of late payment or non-payment we are not required to make any further deliveries even if the delayed payment has already been made, and we are entitled to demand payment in advance in cash for all deliveries currently being made and for any that are still outstanding, any receivables that are not yet due for payment are to be regarded as due for payment immediately, regardless of their value and without regarding to any active bills of exchange, we also have the right to claim compensatory damages due to non-fulfilment or to withdraw from any contracts that are still in force at that time. We can claim the same if we learn of reasons as to why our claims could be placed at risk. If after the order has been awarded the credit insurance limit of the customer has been withdrawn or reduced we are entitled to only deliver against payment in advance.

Payments are always to be made against the oldest liability items that are due for payment.

The companies of "Hoftex Group AG" (see the front side) are entitled to offset receivables and liabilities from business transactions with the buyer.

The offsetting of and the retention of invoiced items that are due for payment is only permitted in the case of receivables that are undisputed or legally enforceable.

#### 4. Retention of ownership

All delivered goods shall remain our property (retained goods) up until the time that our receivables and claims have been completely fulfilled. The buyer may sell or process the retained goods up until our revocation that is permitted to be given at any time only within normal and appropriate business transactions and at his normal terms and conditions of business.

We shall only make use of this right of revocation in the above-mentioned cases.

The buyer is entitled and authorised to resell the retained goods only to the extent that the receivable and all ancillary rights arising from the resale are transferred to us, and in particular the buyer may only hand in to his bank bills of exchange that have been issued by him and accepted by third party buyers up until our revocation that is permitted to be given at any time. He is not entitled to make any other use of the retained goods.

If the buyer sells the retained goods to another company that is part of his corporate group then the authorisation to make use of these goods is restricted to the extent that our property rights are to be transferred in rem and the receivables are to be assigned.

The handling and processing of retained goods is done by us as a manufacturer within the meaning of section 950 of the German BGB [Commercial Code] without this entailing obligations for us. The processed goods are to be stored for us by the buyer at no charge.

If the retained goods are processed together with other objects belonging to the buyer that had been bought in or are subject to the so-called simple reservation of property rights in accordance with section 449 of the German BGB [Commercial Code] we then acquire the sole property rights to the processed product.

If the retained goods are processed with other objects that had been supplied likewise with reservation of property rights and to the exclusion of the legal consequence stated in section 950 of the German BGB [Commercial Code], we acquire joint ownership to the new item in the ratio of the billable value of our retained goods to the billable value of the other processed objects. If our goods are mixed or connected with other objects and if as a result our property rights to the retained goods are lost (sections 947 and 948 of the German BGB [Commercial Code]), then it is hereby agreed now that the ownership right of the buyer to the mixed item or the united item within the scope of the billable value of our retained goods shall pass to us and that the buyer shall store these goods for us at no charge.

Otherwise the same shall apply as for retained goods to the items or stocks arising from the processing or mixing. These items or stocks shall be regarded as retained goods.

The buyer shall hereby assign to us as of now the receivables arising from the resale of the retained goods without or after processing, connection or mixing with all the associated ancillary rights, including claims to any credit insurance that might be applicable. The resale shall be regarded as equivalent to the claim to the party causing the damage or to an insurance company in the event of an instance of damage. The assignment is to be accepted by us.

The assigned receivables serve as a surety in the same way as the retained goods. In the event that the retained goods are sold by the buyer together with other goods that do not belong to us, the assignment of the receivable from the resale shall be in the amount of the billable value of the retained goods that have been resold.

If the retained goods are disposed of or sold after connection, mixing or processing with other goods that do not belong to us, then the assignment shall only be in the amount of our portion of the joint ownership to the assigned item or the assigned stock.

The buyer is entitled to collect receivables arising from the receivable up until our revocation that is permitted to be given at any time. We shall only make use of this right of revocation in the above-mentioned cases.

The buyer is not entitled under any circumstances to assign the receivables to third parties..

Purchase agreements are to be concluded subject to the precondition that the agreed reservation of property rights is not contradicted by a factoring agreement or any similar agreement either at the time that the agreement is made or also during its period of validity. Otherwise the buyer must inform us at once.

It not permitted to attach or transfer by way of security the retained goods or the assigned receivables. The buyer must inform us at once in the event of an attachment of the goods or similar actions by third parties that would affect our rights..

If the value of the sureties made to us exceeds the values of our receivables and not only temporarily by a total of more than 10 %, then we are required to free up sureties of our choice in a corresponding amount at the request of the buyer.

We are entitled to make valid our claims to retention arising from the property, and in particular to forbid the authorisation for processing and resale of the retained goods, to demand their restitution and to revoke the authorisation to collect monies for them if the buyer does not meet his obligations for payment in accordance with this contract. In this case the buyer is required to send to us immediately a listing of all the retained goods that still exist in any form and to provide a listing of the receivables and liabilities to third party creditors, in addition to copies of the invoices and to provide all the required information. In the event of an insolvency the buyer is required to inform of this insolvency at once.

At our request the buyer is required to immediately inform third party creditors of the assignment to us if we have not already informed them ourselves. Regardless of this, we have the right at any time to physically inspect the stocks of retained goods and assigned receivables and/or to check the accounting of the buyer with regard to them.

It is not necessary to set a period of grace for the taking back of the retained goods nor to withdraw from the contract unless we have explicitly stated the latter in writing. If we have taken back goods on the basis of this reservation of property rights, we are free to make use of them as we please.

The buyer is required to make good the reduction in value that the goods have suffered since the conclusion of the contract and also any lost profits. If there is any dispute as to whether the goods produced by the buyer contain our retained goods, proof of identity shall be regarded as furnished if we and the other suppliers have transferred their reservation of ownership rights to a fiduciary trustee for enforcement.

Amounts coming in from assigned receivables are to be kept separate until transfer.

## 5. Complaints or other objections

In the case of visible defects complaints must be made within no more than 12 (twelve) days of receipt of the goods. In the event of a defective or incorrect delivery we have the right to make within the agreed delivery period and in addition an appropriate extension of time for delivery to deliver a replacement or else make good.

In the cases of defects that are not immediately visible the complaint must be made immediately after discovery but in any case within no more than 2 (two) months of receipt of the goods.

All liability shall be null and void if the delivered goods are processed for purposes that are not suitable according to the current state of the art of technology. The same applies to failure to comply with any regulations concerning care labelling or marking.

In the case of deliveries of remainders, job lots and special orders and goods of second class quality that are sold at reduced prices all complaints are excluded.

The making good of any further damage that is due to the defectiveness of the supplied goods (including indirect and direct damage and consequential damage) that be limited in the event of slight negligence to twice the amount of value of the goods of the delivery or partial delivery that is affected.

In the case of slight and gross negligence claims for damages shall be excluded if it involves instances of damage that are not typical for such a contract and which could not have been envisaged on the part of the seller at the time that the contract was concluded.

The legal regulations shall apply in the event of malice aforethought.

The regulations concerning defects and deficiencies shall apply for other forms of complaints.

## 6. Over- and under-deliveries

With over- and under-deliveries we have to reserve the right to allow up to 3%, and 10% in the case of smaller quantities, and especially for items made to special order or special colours.

Euro-pallets will be replaced.

## 7. Period of grace for delivery and acceptance

If we have not met our obligations to deliver or if the buyer does not meet his obligation to accept, then in all cases a period of grace of 4 (four) weeks is to be granted in the first instance. If the period comes to an end without any result, the stipulations of civil and commercial law shall apply.

The buyer cannot make any claims for compensatory damages in the event of a delivery that is not on time or due to

non-fulfilment unless this is legally mandatory due to malice aforethought or gross negligence.

## 8. Scheduling

In the case of block orders the scheduling must be done in good time in accordance with the agreed scheduling period before the due date for delivery. Any delay by the buyer in the scheduling entitles us to carry out the scheduling ourselves in our best estimation, to deliver and to apply for damages due to

delay to to claim compensatory damages for non-fulfilment or to withdraw from the contract. If several contacts had been made we then have the right to deliver in full for the oldest contract first of all.

## **9. Packing costs; see front side**

Paper tuck-ins and polyethylene bags are to be charged at the yarn or thread price.

## **10. Charging for cores**

If nothing has been explicitly stated to the contrary on the front side, cores will be billed as yarn or thread.

In the case of cores, including core cones, 2.5% of the total weight is to be at the cost of the buyer. Any additional weight will be credited for, any under-weight will be billed for.

heavy cores will be credited at the calculated yarn or thread price if they are given back in good condition within four months.

## **11. Foundation of the contract**

The foundation of this contract is that the purchased raw materials and any outside equipping facilities required to cover it are made available to us in accordance with the agreement. This remains subject to correct and timely delivery by our suppliers.

## **12. Place of fulfilment**

The place of fulfilment for delivery is Hof (Saale) or the place of production or storage.

The place of fulfilment for payment is Hof (Saale) or at our choice the court at the location of the head office of the buyer.

The law of the Federal Republic of Germany shall apply.

## **13. Severability clause**

If any of the clauses of this contract should be or become invalid or unenforceable, the other clauses shall still remain in full force and effect. The unworkable clauses are to be rewritten at once in such a way that comes the closest to the original intent and purpose.