

General Conditions of Purchase of the Schaeffler Group

I. General

In case of any purchase being undertaken by us any legal relationship between the Supplier and us is subject to the following terms and conditions. Conditions stipulated by the Supplier as well as any deviating agreements will be applicable only if confirmed in written form. Neither the fact that we do not expressly object to an agreement nor any acceptance of or payment for goods or services by us shall be construed as an acknowledgement.

II. Contract Formation and Amendment

1. Any individual contracts concerning the supply of goods or services as well as any amendments, collateral agreements, notices as to the ending of such as well as any other declarations or notices must be in text form (*Textform*) unless otherwise set out in these Conditions. If the Supplier does not accept an order within two weeks of the receipt of such, we may revoke such (*Widerruf*) at any time.

2. In case of any delivery of goods the applicable quality assurance agreement, logistics agreement as well as the shipping and transport instructions of the Schaeffler Group in their respective applicable version shall form an integral part of this contract. The documents can be accessed at www.schaeffler.de (subcategory "Supplier") and will be made available to the Supplier upon request.

III. Scope of Provision of Goods and Services / Changes to Scope / Spare Parts / Subcontractors

1. The Supplier shall ensure that all significant data and circumstances in terms of its performance of its contractual obligations as well as the intended use of its deliveries are known to the Supplier in good time. Offers shall be at no expense to us. The Supplier shall ensure before providing any offer that it has exactly examined the local circumstances and is certain of the situation as a result of inspecting the documentation for the carrying out of the performance and compliance with technical and other regulations. The Supplier shall check all documents provided for matters including the local situation, correctness, feasibility as well as any performance of preliminary work by third parties. The Supplier shall notify us in writing without unreasonable delay of any concerns with details of the reasons and the Supplier shall bring about an agreement with us as to the carrying out of the work.

2. We are entitled to request from the Supplier modifications in the design and construction of the supplied articles, so long as Supplier can be reasonably expected to meet such requests. The Supplier shall implement such modifications within a reasonable period of time. Mutually satisfactory agreements shall be concluded concerning the consequences of such modifications, in particular with regard to delivery dates, extra and reduced costs. We will determine such consequences within our reasonable discretion if agreement regarding the matters outlined in the previous sentence cannot be reached within a reasonable period of time.

3. In case of delivery of production material the Supplier shall ensure that it will continue to be able, for a period of 15 years following the termination of the supply relationship and on reasonable terms and conditions, to deliver to us the supplied articles or parts thereof as spare parts.

4. The Supplier shall be entitled to assign any of its duties to subcontractors only with our prior written approval.

IV. Prices / Payment Terms

1. The agreed prices are firm prices. Unless otherwise agreed, payment will be made within 14 days with a 2 % discount or within 30 days net. These periods are computed from (i) the time of performance in compliance with the contract and (ii) receipt of a proper and verifiable invoice. If we receive and accept a delivery at an earlier date than the date agreed upon, the payment period begins with the agreed delivery date. Invoices are to be submitted without carbon copies but shall include the purchase order number, purchase order line, our account and customer reference, place of unloading, Supplier number, part number, number of pieces, price per piece, and volume per delivery. The Supplier agrees to participate to a credit memo procedure upon our request.

2. The Supplier is not entitled to assign a claim against us to a third party or to have such claim collected by a third party. The provisions of § 354a HGB [German Commercial Code] shall not be affected by the foregoing sentence.

3. Supplier shall only have the right to set-off against any claims of us or the right of retention, if and to the extent that Supplier's claims are undisputed or its counterclaims are final and non-appealable. We shall have the right to set-off against claims of Supplier any claims of our affiliates within the meaning of § 15 AktG [German Stock Corporation Act]. We shall also have the right to set-off claims against any claim of any affiliate of Supplier within the meaning of § 15 AktG.

V. Delivery Dates / Governmental Permits / Export Control

1. All deliveries are DAP (Incoterms 2010) to a location determined by us and, unless determined otherwise, shall include packaging and conservation. Our company and the consignee determined by our company shall be advised about a shipment on the day of its dispatch. Each shipment shall include a delivery note in duplicate listing our order number, item number and Supplier number. Agreed dates and time limits are binding. The Supplier shall inform us immediately in written form about any delay in delivery. The Supplier must also indicate the

General Conditions of Purchase of the Schaeffler Group

reasons for such delay and its expected duration. If the reason for the delay is beyond the Supplier's control, the Supplier may invoke such reason only if the Supplier has met its obligation to notify us in due time.

2. The Supplier shall notify us of any governmental permits or notification requirements that may be required for the import and the use of the delivered items.

3. For shipments from preferential countries, the Supplier must provide a proof of preferential status with each shipment. The long term Supplier declaration pursuant to EEC regulation 1207/2001 must be presented annually. We must be notified immediately if the delivered goods require an export license. Furthermore the Contractor is obliged to comply with the respective export control regulations and to inform us unrequested in written form about the export control designation of the contractual products especially according to EU and US legislation at the latest with the delivery.

VI. Acceptance of Work Performed

1. Any acceptance of work shall take place after completion of such by way of our formal counter-signature on the respective record of acceptance. In relation to any performance which cannot be subsequently checked or examined the Supplier shall give us in good time written notice requiring the examination. Any fictional acceptance by way of failing to respond to a request for inspection, or by way of payment or actual use is hereby excluded.

2. Acceptance of any type required by the official authorities, in particular acceptance by recognised experts, shall be arranged by the Supplier at its own expense before the acceptance of the work insofar as such is not expressly excluded from the scope of performance. Any official certificates as to defect-free nature or any official approvals or acceptances shall be provided to us in good time before the acceptance of the work.

VII. Confidentiality / Information

1. The Supplier (i) shall keep secret all information, including without limitation drawings, documents, know how, samples, production devices, models, media (collectively, the "Information"), (ii) may not make such Information available to third parties (including sub-Suppliers) without our written consent and (iii) may not use such Information for purposes other than as determined by us. These obligations apply mutatis mutandis to copies and duplicates. This confidentiality obligation does not apply to information (i) that the Supplier had already obtained legitimately at the time of disclosure provided such information was not subject to a confidentiality obligation, (ii) that the Supplier later obtains legitimately without being obligated to keep such information confidential, (iii) that is or becomes generally known without any breach of contract by one of the parties or (iv) for the disclosure or the independent use of which the Supplier has received permission. The Supplier may not advertise its business relationship to us without our prior written consent.

2. We retain title and reserve all other rights (such as copyright) to the Information. Copies may be made only with our prior written consent. Title to the copies passes to us at the time such copies are created. Supplier hereby agrees with us that the Supplier stores the copies on behalf of our company as bailee. The Supplier agrees to properly store at its expense all documents and other objects, including copies thereof, that were made available to Supplier, to keep them in perfect condition, to obtain insurance for them and to return them to us or destroy them, in each case upon our request. The Supplier has no right, on whatever grounds, to retain such objects. The Supplier shall confirm the complete return or destruction of the relevant object in writing.

3. If the Supplier breaches its obligations set forth in VII. 1., a contractual penalty in the amount of Euro 25,000 shall become due and payable immediately for each breach. The Supplier shall retain the right to have the contractual penalty determined by a court decision. Damages shall be set off against any paid contractual penalties.

VIII. Quality Control

The Supplier shall constantly monitor the quality of its performance. Before any delivery of contractual goods the Supplier shall ensure that goods intended for delivery are free of defects and conform to the agreed technical requirements and the Supplier shall warrant such to us in writing.

IX. Warranties / Reimbursement of Costs / Warranty Period / Indemnification

1. We will inspect incoming goods only with respect to externally apparent defects and externally apparent deviations in identity or volume. We will give notice of such defects without undue delay. Furthermore, we will also give notice of defects as soon as such defects have been detected in the ordinary course of business. With respect to the foregoing, the Supplier hereby waives the right to assert that the defects have been asserted too late.

2. If the delivered goods are defective, we will be entitled to the statutory rights, unless the following conditions provide otherwise. If industrial safety is threatened, if there is a danger of unusually high damage or for the purpose of maintaining our ability to deliver to our custom-

General Conditions of Purchase of the Schaeffler Group

ers we shall be entitled, following notification of the Supplier, to remedy the defects ourselves or have them remedied by a third party. Costs incurred as a result of remedial action taken in accordance with the preceding sentence shall be borne by the Supplier.

3. If the Supplier avails itself of a third party to carry out a performance, the Supplier will be held responsible for this third party as for any other person employed in performing an obligation (*Erfüllungsgehilfe*).

4. Unless a longer period is determined by law, the Supplier is liable for defects that arise within 36 months of the date of receipt of the Supplier's delivery or of the date of acceptance, provided such acceptance was required as a matter of law or agreement. In the case of supplementary performance (cure of defects or delivery of goods free of defects), this period is extended by the time during which the delivery item cannot be used as stipulated in the contract. Supplementary performance is also subject to the periods stated above. All claims relating to defects become time barred at the earliest two months after all claims of the final customer have been satisfied, but no later than 5 years after delivery to us.

5. In case of any claims by third parties in case of defects as to title, the Supplier shall indemnify us unless the Supplier is not responsible for such defect as to title. The Supplier shall indemnify us in case of any claim by a third party based on product liability if and to the extent that any damage is caused by a defect in the goods delivered by the Supplier. The right of indemnity shall apply insofar as the Supplier itself would be directly liable. In case of strict liability the duty of indemnity shall apply only if the Supplier is at fault.

X. Performance of Work on our Premises

1. In relation to any performance at our premises the "Company Regulations for Contractors" (*Betriebsordnung für Fremdfirmen*) shall apply and such can be accessed at www.schaeffler.de (subcategory "Supplier") and will be made available to the Supplier upon request. The Supplier shall comply with directions of the factory security service (*Werkschutz*).

2. The Supplier may not deploy persons for fulfilling its contractual obligations at our locations which are employed by us or which have been employed by us during the last 6 months without prior written approval.

XI. Materials, Packaging and Tools Provided by Us

Substances, parts, containers, special packaging, tools, measuring instruments or substances or similar items (each, an "Accessory") remain our property. In cases of specification of Accessories, union of Accessories or mixture of Accessories, we will become co-owners of the new goods. Our co-ownership share shall be equal to the proportionate value of the Accessories compared to the overall value of the new item. The Supplier shall not have any rights of retention on whatever basis to the Accessories.

XII. Tools

Notwithstanding any other agreement to the contrary, we shall receive full ownership or co-ownership of the tools to the extent we have contributed to the proven costs for tools used in the manufacture of the supplied goods. We will acquire (co)ownership of the tools upon payment. The tools shall remain on loan with the Supplier. The Supplier shall require our consent to dispose (in the legal or the factual sense of the term) of the tools, to move the location of the tools or to disable the tools permanently. The Supplier shall label the tools as our property or property held in co-ownership, as applicable. The Supplier shall bear the costs for the maintenance, repair and replacement of the tools. We shall have title in the replacement tools in the same proportion as in the original tools. In cases of co-ownership of a tool we shall have a right of first refusal with respect to the co-ownership share of the Supplier. The Supplier must use tools (co-)owned by us exclusively for the purpose of manufacturing the supplied goods. After the end of the delivery, the Supplier must, upon our request, immediately turn over the tools to us. For tools co-owned by us we must, following hand over of the tools to us, reimburse the Supplier for the then present value of the Supplier's co-ownership share. In no event shall the Supplier have a right to retain the tools. The Supplier's obligation to turn over the tools shall apply also in case of an insolvency application with respect to the Supplier and in cases of long term interruptions of the supply relationship. The Supplier shall insure the tools within the agreed upon scope or, absent such agreement, within the customary scope.

XIII. Software

The Supplier agrees to modify/improve the software pursuant to our instructions and in exchange for an adequate reimbursement of costs for a period of 5 years from the shipment of the supplied item, unless the scope of the delivery includes standardized software. To the extent the software originates with a Supplier of the Supplier, the Supplier shall obligate such earlier Supplier accordingly.

XIV. Force Majeure / Long Term Inability to Deliver

1. Natural disasters, riots, acts of government and any other events that are unpredictable and unpreventable exempt both us and the Supplier from the contractual obligations, in each case for such time as the disturbance exists and within the scope of its effects. The party affected by the force majeure event must fully inform the other party and must make all efforts, within the limitations of what can reasonably

General Conditions of Purchase of the Schaeffler Group

be expected, to limit the effects of such events. The party affected by the force majeure event must notify the other party without undue delay of the end of the force majeure event.

2. In cases of a long term inability to deliver, cessation of payments, the opening of an insolvency proceeding, the refusal to open insolvency proceedings due to insufficient assets or the commencement of comparable proceedings with respect to one of the parties the other party shall be entitled to rescind the contract with respect to the part that has not yet been performed. If one of the foregoing events occur with respect to the Supplier, the Supplier shall support us to the best of its abilities in our efforts to move the manufacture of the supplied item(s) to us or to a third party, which support shall include the granting of licenses to intellectual property rights to the extent such rights are necessary for the manufacture of the relevant product(s), such licenses to be granted on terms customary in the industry.

XV. Compliance

1. The Supplier shall refrain from actions or omissions that, regardless of the form of participation, may lead to administrative fines or criminal prosecution, in particular for corruption or a violation of antitrust or competition law, by the Supplier, by employees of the Supplier or by third parties engaged by the Supplier (hereinafter referred to as "Violation" or "Violations"). The Supplier shall be obligated to take all steps necessary to avoid Violations. For this purpose, the Supplier shall be responsible for the compliance and proper performance by its employees and all third party representatives with all relevant laws.

2. Upon written request by us, the Supplier shall submit information about the above measures, in particular regarding the content and status of implementation. The Supplier shall be obliged, upon written request by us, but not more than once within a period of three years, to completely and accurately answer a compliance questionnaire issued by us and will provide us with the documents related to such questionnaire.

3. The Supplier will inform us without undue delay of the commencement of official investigations by any authority regarding a Violation. Additionally, if there are any indications of a Violation by the Supplier, we are entitled to request written information about the Violation and all steps taken by the Supplier for rectification and future compliance.

4. In the event of a Violation, the Supplier shall immediately cease such actions and shall compensate us for any and all damage suffered by us due to such Violation.

XVI. Miscellaneous

1. Place of fulfillment for all deliveries and performances is the place of destination specified by us.

2. The contractual relationship shall be governed by the laws of the Federal Republic of Germany, excluding the German conflict of laws rules and the provisions of the UN Convention on Contracts for the International Sale of Goods (CISG). The competent place of jurisdiction is Nuremberg, Germany, unless another exclusive place of jurisdiction has been agreed upon. Notwithstanding the foregoing, we will also be entitled to bring suit against the Supplier at any other court of competent jurisdiction.

3. If a specific provision of these terms and conditions is or becomes invalid, the remaining terms and conditions shall remain valid.

Schaeffler Group