

# GENERAL TERMS AND CONDITIONS OF BUSINESS

## 1. Delivery

Unless otherwise provided for, delivery shall be performed carriage paid, ex works, at the risk of the purchaser. If the goods are ready for dispatch and the shipment of the goods is delayed for any reason beyond the control of the seller, then the risk shall revert to the purchaser upon notice being served of the goods being ready for dispatch in the form of an invoice sent by the seller. Packing material and cones are not subject to separate charge.

## 2. Payment

The invoices are issued on the day of the respective dispatch or (if 1, Paragraph 2 should apply) the day on which they are ready for dispatch. They are payable under the conditions agreed in the sales contract relating to the yarn.

Payments are always used to balance the oldest due owed sum plus any interest on arrears which may have accrued. In the case of payments being made after their due date, these shall be subject to interest in arrears at a rate of 4 % over the basic rate of interest of the European Central Bank (ECB). Claims to any additional compensation due to arrears remain unaffected. Offsetting against counter-demands which are either disputed or have not been legally established or withholding due invoice payments and interest payments on arrears are not admissible. This applies in particular in the case of complaints.

Before the complete payment of due invoice amounts, the seller shall not be obliged to make any further deliveries from any current contract. If the purchaser is in arrears with any due payment or if his financial situation should deteriorate considerably, or if he does not immediately dispose any reasonable statement or information received as to his inability to perform payment or as to his creditworthiness, the seller can demand cash payment before the goods are delivered or any other securities, with respect to any outstanding deliveries from any current contract under continuation of the term of payment. One example of this is exceeding the credit limit granted by the credit insurer.

## 3. Reservation of title

The title to the delivered goods remains reserved to the seller until complete payment of all demands (in the case of payment by cheque or bill of exchange until these have been redeemed) occurring to the seller which arise out of the present business transaction. Should the seller assume contingent liabilities (payment by check or bill of exchange) in the interest of the purchaser, then any rights from the reservation of title and the special of forms of this as determined in this section shall remain in existence until the seller has been completely released from these liabilities. The goods which are subject to the reservation of title are to be insured by the purchaser against fire, water damage and theft. The purchaser shall relinquish any insurance claims he may have for the duration of the reservation of title at the time the contract is finalised. The purchaser can however dispose of or further process the goods within the course of his normal business operations. This entitlement shall end if the purchaser discontinues payment or if bankruptcy or insolvency proceedings are initiated with respect to his assets.

By processing the reserved goods, the purchaser does not acquire the title to the new object as per § 959 of the BGB (German Civil Code). The processing will be deemed to be performed by purchaser for the seller, without the seller incurring any liabilities as a result.

If the reserved goods are processed, the seller will acquire co-title to the new product corresponding to the proportion of the invoice value of the reserved goods which have been processed in the new product. The purchaser hereby assigns the claim arising out of the resale of the re-served goods to the seller, also to the extent that the goods have been processed. This assignment is limited to the invoice value of the reserved goods which have been processed in the new object. The seller will not collect the assigned claims as long as the purchaser continues to service his payment obligations. The purchaser is however obliged to inform the purchaser of the names of the third party debtors upon demand and to inform the latter that the claim has been assigned. He is entitled to collect the claims himself as long as he continues to service his payment obligations and does not give the seller any other instructions. In the case of arrears on payment or justified doubt as to the creditworthiness of the purchaser (e.g. reduction or cancellation of the credit limit granted by the credit insurer) or his ability to pay, the seller is entitled to collect the as-signed claims and to take back the reserved goods; this shall however only constitute a cancellation of the contract if the seller declares this expressly in writing.

In the case of arrears on payment it shall be assumed that proper and orderly business operations are no longer guaranteed.

The reservation of title remains valid until all present and future receivables of the seller have been settled.

If the value of the securities granted to the purchaser exceeds that of the claims by more than 20 % then he will release securities, as he may choose, upon demand by the seller.

Any pledging or collateral assignment of the reserved goods or assigned claims in favour of a third party without permission from the seller are excluded. If these goods or claims are impounded by a third party, the purchaser must inform the seller immediately and without delay.

## 4. Obligations with respect to delivery and approval of goods

If no specific delivery term is specified at the time the contract is finalised, the approval of the goods delivered in accordance with the contract is to be conducted within 12 months, starting from the date of the confirmation of order.

Furthermore, the divisions and the respective partial deliveries should be constructed so as to result in equal monthly instalments. This shall apply to open contracts. The purchaser is to perform his divisions and demands for shipment of the partial deliveries in good time. If there are several contracts, the seller is entitled to first perform full delivery of the oldest contract.

Partial deliveries can only be performed subject to prior arrangement. If the seller fails to fulfil his delivery obligations, then the terms of the German Civil Code and Commercial Code shall apply. This shall also be the case when the additional deadline with respect to an arranged partial de-livery has expired. The additional deadline with respect to such a partial delivery does not result in the extension of the delivery or approval dead-lines of other outstanding partial deliveries.

Fixed-date sales are not being conducted.

Acts of god, industrial action, non-negligent administrative measures at home or abroad, non-negligent loss of power or unforeseen, non-negligent and serious operational disturbances and restrictions on the seller's side, including such which are due to an impairment of the agreed raw material supply or other acts of god entitle the seller to extend his delivery deadlines accordingly. If, as a result of the above outline circumstances the delivery is delayed by more than 3 months, then both parties are entitled to pull out of the contract. Damage compensation claims due to non-fulfilment or non-punctual fulfilment are excluded in such cases.

## 5. Defects

Obvious defects are to be reported to the seller before the yarn is subjected to any processing, within two weeks of receipt of the goods. In the case of justified and recognised complaint, the seller is entitled to deliver a defect-free replacement within a reasonable period. Should it not be possible to perform a replacement delivery, then the legal regulation shall apply. Offsetting the purchase price against disputed counterclaims shall not be admissible without express agreement.

## 6. Other liability

The seller shall not be liable for damage resulting from non-adherence to the processing information given under item 8.

The seller shall not be liable, if the buyer processes the yarn delivered in accordance with the samples into goods for which it is not appropriate. Complaints can not be made with respect to technically unavoidable deviations and unavoidable quality and colour deviations, in particular when they are due to the nature of the raw material.

## 7. Confidentiality obligation

Our business partners are obliged not to pass any data arising from the business on to unauthorized third parties as well as protecting sensible data from access and misuse by unauthorized persons.

## 8. Technical regulations

The respective regulations of the International Wool Association shall apply with regard to the admissibility of technically unavoidable volume deviations and for the determination of the commercial weight, including moisture regain, and with regard to the determination of the resultant count, running length and count tolerance.

## 9. Processing information

Yarns taken from different lots/batches must be processed separately. The lot numbers will be identified clearly and visibly by the seller on the invoice, delivery note and packages (boxes).

The twisted yarn supplied by the seller is manufactured according to the two-for-one twisting system. The initial sections of yarn on these cones can not contain the correct twist. Before the yarn from the new cones can be joined to the old cones, a section of the former must be removed up to the point where the yarn displays the correct turns (TPM).

## 10. Place of fulfilment and legal venue

The place of fulfilment for all matters of performance arising from the sales contract and the legal venue (also in the case of check and bill of exchange disputes) shall be the head office of the seller. The latter is also entitled to apply to the responsible court at the main location of the buyer.

The applicable law shall be the national law of the court applied to, so long as there are no separate arrangements between the seller and the buyer which refer unambiguously to a different legal system.

## 11. Final provisions

Should individual clauses of these conditions be or become wholly or partially invalid or should individual passages of these conditions compete against the national law being applied, then this shall not affect the applicability of the remaining clauses or the remaining sections of such clauses. The invalid provision shall be reinterpreted or shall be deemed as having been replaced in such a way that the intended economic intention is achieved in the best manner possible. The same shall apply if a gap should be identified which requires amendment. Necessary amendments in this sense shall be performed subject to agreement by the parties under application of the guidelines or the regulations of the International Wool Association.

## 12. Confirmation clause

The General Terms and Conditions of Business printed herein shall apply exclusively. Other terms will not become part of the contract, even if the seller has not explicitly objected. The buyer accepts the above mentioned General Terms and Conditions of Business.