

General Terms & Conditions of Business of the Photon Group

1. Preliminary remark / subject of the agreement

As the Agent, Photon AG and its subsidiaries Photon Laser Engineering GmbH, Photon Laser Manufacturing GmbH and Photon Meissener Technologies GmbH, KADOW und Riese Laser- und Umformtechnik GmbH as well as any future affiliated companies within the meaning of § 15 AktG [German Aktiengesetz], offer their services to the Principal exclusively on the basis of the following Terms & Conditions of Business. Deviating terms & conditions of purchase of the Principal are hereby rejected. Agreements – particularly those altering these Terms & Conditions – shall only become binding by means of written confirmation from the Agent.

2. Publication, advertising

The Agent shall be entitled to publish the business relationship, as well as basic scientific/technical statements resulting from his own R&D services that do not affect the interests of the Principal.

3. Transfer of risk, shipping, delivery quantities

If shipping of the goods has been agreed with the Principal, the risk shall be transferred to the Principal upon handover to the forwarder or freight carrier, but at the latest upon departure from the Agent's factory or warehouse. Unless otherwise agreed, goods shall be transported unpacked and without rust protection. Freight costs, as well as any agreed packaging, shall be invoiced to the Principal.

3.1 INCOTERMS 2010 shall apply as regards the arrangement of commercial terms.

3.2 The Agent shall be free to determine the means and routes of transport. He shall choose the forwarder and the freight carrier. Unless otherwise agreed, shipping shall take place unpacked. The cost of transport and packaging shall be borne by the Principal.

3.3 Goods reported as ready for shipping must be requested immediately. Otherwise, the Agent shall, at his discretion, be entitled to store them at the cost and risk of the Principal.

3.4 The Agent shall be entitled to make partial deliveries. Industry-standard under- or over-deliveries are permitted.

3.5 In the case of contracts for ongoing delivery, requests and type classifications must be submitted to us, otherwise the Agent shall, at reasonable discretion, be entitled to determine the terms & conditions.

3.6 Unless otherwise agreed in writing upon order placement, wastes and residues shall fall under ownership of the Agent, including in the case of auxiliary goods.

4. Usage rights for components and software

4.1 Within the scope of sale of components whose design and function is secured or eligible to be secured by trade mark rights, the Agent shall grant the Principal a simple usage right to the sold item and the included trade mark rights, which shall be unrestricted in time. The Principal shall not be entitled to use the obtained trade mark rights for additional applications or sell them separately from the sold item.

4.2 Insofar as rights to software are transferred, the Agent shall grant the Principal the usage right to the program, which shall be limited to an individual licence, unlimited in time and non-exclusive. The Agent shall retain all further usage rights to parts of the program that are individually eligible for protection. The Principal shall not be entitled to reverse-engineer, decompile, translate or otherwise change or edit the program. The same shall apply to other transferred services. Removal or alteration of the label or other identifying marks of the Agent is forbidden.

5. Offer acceptance, prices, payments, due date, default, quantities, errors

The Agent can accept offers (order enquiries) that he receives within 4 weeks.

5.1 Unless otherwise agreed, prices shall be ex works at the Agent's premises, plus value added tax in the applicable statutory amount.

5.2 Payment shall be due within 10 days of invoicing, but at the latest 10 days after service provision or shipping of the goods by the Agent. If specified in writing in the order confirmation or invoice, the Agent shall grant the Principal a 2% discount for payment within 7 days of invoicing. Compliance with the deadline shall be based on receipt of the money by the Agent.

5.3 Insofar as the services to be provided by the Agent extend over more than 30 calendar days, he shall be entitled to issue monthly partial invoices. Partial invoices in the amount of 90% of the provided partial services each time are permitted and must be paid within 10 days of invoicing, net and without discount. Should partial services be ready for acceptance, the Agent shall be entitled to invoice 100% of the accepted partial service.

5.4 In the case of failure to comply with the payment deadlines, interest of 1% of the invoice amount shall be due per month commencing. A reminder fee of €20 shall be due for each reminder sent after the due date has passed. We reserve the right to provide evidence of further damages.

5.5 The Principal shall only have a right of retention or right to offset insofar as the counter-claims are undisputed or legally established.

5.6 In the case of default on payment on the part of the Principal or risk to the payment claim due to deterioration of the Principal's creditworthiness, the Agent shall be entitled to declare his receivables due for payment, regardless of the term of any exchange or agreed payment terms. The Agent shall also be entitled to only provide outstanding services against prepayment or provision of a security.

5.7 The Agent shall be entitled to offset his payment claims or those of affiliated companies within the meaning of § 15 AktG against all claims of the Principal or his affiliated companies within the meaning of § 15 AktG.

5.8 Quality and dimensions shall be based on the DIN standards and/or material data sheets. Insofar as no DIN standards or material data sheets exist, the applicable European standards shall apply, and in the absence thereof commercial practice shall apply.

5.9 The Agent reserves the right to correct quoted or confirmed prices up to delivery or service provision. The Principal expressly agrees to such correction insofar as it settles price increases of more than 20%. The Principal shall also agree to correction insofar as the overall price or individual items have clearly been incorrectly calculated by accident. This shall be the case if the agreed price deviates from the market-standard price by more than 25% or if the currency was indicated incorrectly (e.g. DM instead of €). Correction of prices cannot take place if fixed dates or prices have been expressly set out in the quote or order confirmation.

6. Acceptance

6.1 If later acceptance by the Principal is agreed upon order placement, this must take place immediately after readiness for acceptance being reported on the Agent's premises. Should no acceptance or qualified written citation of barriers to acceptance be provided by the Principal within 14 days, despite readiness for acceptance having been reported in writing and notice given of the consequences outlined herein, the service or work shall be considered accepted.

6.2 Should acceptance not take place on time or in full for reasons for which the Agent is not responsible, the Agent shall be entitled to implement delivery without acceptance or store the goods at the cost and risk of the Principal.

7. Retention of ownership

7.1 Delivered goods and services shall remain under the ownership of the Agent (goods under reservation of title) until fulfilment of all payment claims, particularly including balance claims, due to the Agent within the framework of the business relationship with the Principal.

7.2 Processing of goods under reservation of title shall take place for the Agent as the manufacturer within the meaning of § 950 BGB [German civil code], without entailing any obligation on his part. The processed goods shall be considered goods under reservation of title within the meaning of Item 7.1. In the event that the Principal processes, combines and/or mixes the goods under reservation of title with other goods, the Agent shall hold co-ownership of the new item in a proportion corresponding to the invoice value of the goods under reservation of title as compared with the invoice value of the other goods used. Should the Agent's property cease to exist through combination or mixing, the Principal hereby agrees to transfer to the Agent the ownership rights due to him in the new product or item in the scope of the invoice value of the goods under reservation of title, and shall grant these to the Agent free of charge.

7.3 The Principal may only sell on goods under reservation of title within the scope of normal business transactions, under his normal terms & conditions of business and insofar as he is not in default, provided that he agrees retention of ownership with his client and that the payment claims arising from the sale as per Item 7.4. and Item 7.5. are transferred to the Agent. He shall not be permitted to use the goods under reservation of title in any other way.

7.4 "Selling on" shall include use of the goods under reservation of title to fulfil service contracts or contracts for labour and materials.

7.5 The Principal's payment claims arising from the sale of goods under reservation of title are hereby ceded to the Agent; in the case of payment of receivables from the sale into a current account, this shall also apply to balance claims in the applicable amount. The ceded payment claims shall serve the purposes of security provision in the same scope as goods under reservation of title.

7.6 If the Principal sells on goods under reservation of title along with other goods not provided by the Agent, the payment claims from the sale or relevant balance claims shall be ceded to the Agent in a proportion corresponding to the invoice value of the goods under reservation of title as compared with the invoice value of the other goods. In the case of sale of goods in which the Agent holds co-ownership as per Item 7.2., a proportion of the payment claim corresponding to his ownership share shall be ceded to him.

7.7 The Principal shall be entitled to collect receivables from the sale or outstanding balances, unless the Agent objects to this. At the request of the Agent, the Principal undertakes to immediately inform his client of the cession to the Agent – insofar as the Agent does not do this himself – and provide the Agent with the information and documents required for collection.

7.8 The Principal shall under no circumstances be permitted to otherwise cede payment claims. This shall also apply to factoring transactions; the Principal shall not be permitted to conclude these even on the basis of authority to collect. However, the Agent shall be entitled to consent to factoring transactions on an individual basis insofar as the counter-value therefrom eventually goes to the Principal and satisfaction of the Agent's payment claims is not endangered.

7.9 In the cases cited in Item 5.7., the Agent shall also be entitled to prohibit processing and sale of goods under reservation of title. In this case, and in the case of the Principal violating his obligations as per Item 7.3., the Agent may demand return of the goods under reservation of title at the cost of the Principal and under exclusion of any right of retention. The Principal hereby authorises the Agent to access his premises and take back the goods under reservation of title. This retraction shall not be considered withdrawal from the contract.

7.10 Should the value of the existing securities exceed the secured payment claims by more than 10% in total, the Agent shall, at his discretion and at the request of the Principal, be obligated to release securities. The Principal must inform the Agent immediately of any seizure or other intervention by third parties.

8. Guarantee and compensation

8.1 In the case of R&D services, the Agent shall guarantee application of due scientific care and compliance with the recognised technical regulations, but not the actual achievement of the research and development goal.

8.2 For software products, the Agent shall guarantee that the program and documentation has no defects that will cancel out or reduce the value or capacity for use as is customary or agreed in the contract. Creation of a program that is completely free of errors and will run without interruption at all times is not possible as per the current state of the art. However, the Agent shall guarantee that the program will be created in observance of recognised programming regulations (general rules of the art of programming), not taking into account slight reduction in value or capacity.

8.3 In the case of purchase contracts, service contracts and contracts for labour and materials, the Agent shall guarantee performance free of material and legal defects.

8.4 Defects in products, goods or contract parts must be reported to the Agent immediately. Following implementation of acceptance of the goods by the Principal, complaints regarding defects that were identifiable through the agreed type of acceptance are excluded. § 377 HGB [German commercial code] shall also apply.

8.5 Faulty goods shall be either remedied or taken back and replaced with non-faulty goods by the Agent, at his discretion. In the case of failure of the remedy or replacement, particularly in the case that a period set by the Principal passes without success, the Principal may request rescission of the contract or reduction of the price.

8.6 Further rights based on defects – particularly contractual or extra-contractual claims to compensation for damages not occurring in the good itself – are excluded in the scope set out in Item 9.

8.7 The Agent's warranty shall be limited to six months from handover of the result of the R&D, or transfer or risk in the case of deliveries and services. This shall also apply to warranty claims not subject to the statutory warranty periods.

8.8 Insofar as a longer warranty period is granted by the Agent, by way of exception, for individual products, product groups or transactions, the Agent's liability shall be limited to repair or replacement of the faulty item, at his discretion.

9. Limitation of liability

9.1 In case of simple negligence the Agent's and it's Servant's shall only be liable for property damages and financial losses in cases of breach of a material contractual obligation and limited to the typical damage foreseeable at the time of conclusion of the contract. Any not expressly by means of these T&C or individual contract acknowledged rights for termination, rescission, reduction or compensation for damages for delay, damages to work in progress and defects in workmanship are excluded.

9.2 The limitation of liability is not applicable for personal injury gross negligence or willful intent. Further it is not applicable insofar as it is covered by the Agent's Liability Insurance. This shall cover € 500,000 for personal, property and environmental damage and simple and extended product liability and € 50,000 for damage involving assets, activity and workmanship.

10. Delivery times, delay in delivery

10.1 Agreed delivery obligations and performance deadlines of the Agent shall be subject to complete and timely upstream supply.

10.2 The agreed delivery and performance times shall only apply subject to timely clarification of all of the Principal's individual circumstances and timely fulfillment of all obligations on the part of the Principal, e.g. provision of plans, any required official authorizations, etc.

10.3 If the Agent is hindered in meeting his obligations due to unforeseen events that, in view of the specific circumstances, were unavoidable even through reasonable care, e.g. strike, lock-out, war, intervention by the authorities, civil unrest, natural disasters, accidents, other disruptions to the business and delays in the supply of key operational equipment or raw materials, the delivery or performance time shall be extended by the duration of the impairment and a reasonable lead time. If the delivery becomes impossible or unreasonable due to the impairment, the Agent may withdraw from the contract; the Principal shall have the same right if acceptance is unreasonable for him due to the delay.

10.4 Should the Agent enter into default, the Principal may withdraw from the contract after setting a reasonable grace period in writing. The same shall apply if delivery or performance becomes impossible for the Agent for reasons for which he is responsible.

10.5 Any right of withdrawal on the part of the Principal or Agent shall only apply to the part of the contract not yet fulfilled. Insofar as partial deliveries already provided are unusable for the Principal, he shall also be entitled to withdraw as regards this partial delivery. Further rights based on default on delivery, in particular claims for compensation for damages, are excluded in the scope set out in Item 9.

11. Non-disclosure

11.1 For the duration of the order and for 2 years after the end of the order, the Agent and the Principal undertake to keep information and documents that they have shared with one another strictly secret, and to take all measures to prevent third parties from gaining access to them. The obligation to maintain confidentiality shall also apply vis-à-vis group companies, licensees and other third parties that gain access to the information requiring secrecy in some way. The obligation to maintain secrecy shall apply regardless of whether information is or was made accessible in verbal, documented, machine-legible form or in the form of equipment, samples, patterns or products. The Parties undertake to subject their employees and other persons that gain knowledge of the shared information to the same obligations as entered into here. Within the scope permitted by law, these obligations shall continue to apply after the employee has left.

11.2 All documents regarding the products provided by the Agent, particularly drawings, shall remain the property of the Agent, and must not be used for purposes other than the contractual purpose without specific consent. They must be returned upon request.

11.3 The obligation to maintain secrecy and not used shared information shall not apply insofar as

- the informed partner was demonstrably already aware of the information before disclosure, or
- the information was known or generally accessible to the public before disclosure, or
- the information became accessible to the public after disclosure without involvement or blame on the part of the informed partner

and essentially relates to information that was disclosed or made available to the informed partner at some time by an authorized third party.

12. Other agreements

12.1 The place of performance for services shall be the Agent's registered office.

12.2 In the event of individual contractual provisions being invalid, the others shall remain valid.

12.3 The place of jurisdiction for all legal disputes, including regarding bill of exchange and cheque processes, shall be Berlin. In addition, the Agent shall be entitled to file a lawsuit against the Principal with the relevant courts at his general place of jurisdiction.

12.4 The law of the Federal Republic of Germany regarding legal relations between parties in Germany shall apply exclusively for all legal relations between the Agent and the Principal.

1. September 2016