

## WARRANTY TERMS

The Elmo's warranty covers products which are not older than 24 months making reference to the manufacturing date printed on the nameplate. That will be valid also for products which replace those previously failed during their warranty period.

(1) To have a clear understanding of the **warranty conditions** and an efficient handling of the faulty products replacement, Elmo defines three levels of potential quality/reliability problems.

### (1.1) **Normal levels of rejects/failures**

(1.1.1) Customer Line Rejects Rate **CLRR** (it refers to the percentage of those products which the customer find not corresponding to the agreed specification, when checking them on his assembling line): annual target is fixed to be one per thousand/year ( $CLRR \leq 1\text{‰}$ ).

(1.1.2) Field Failure Rate due to Elmo responsibility **FFRE** (it refers to the percentage of those products which are returned back from the market to the customer and then to Elmo): annual target is fixed to be four per thousand/year ( $FFRE \leq 4\text{‰}$ ).

(1.1.3) Total Elmo Failure Rate  $EFR=CLRR + FFRE$ : annual target is fixed to be five per thousand/year ( $EFR \leq 5\text{‰}$ ).

#### Note relevant to point 1.1.1 and 1.1.2:

(A) The above rates are calculated making reference to the total quantity supplied during the previous year (when such a quantity become a reasonable and quite stable reference, after the progressive start-up of the supplies).

(B) The above rates are related to those products, not older than 36 months, which are returned free of charge to Elmo for a technical inspection and are recognized as actually not complying with the specification or as affected by an original defect. Whenever possible it would be advisable to collect by the customer the rejected or failed products, relevant to a certain period of time, so to return them to Elmo all together at the same time.

(C) Products to replace the above ones will be supplied free of charge ex factory. The customer will not be entitled to ask for any other indemnity relevant to expenses, damages or others.

(D) The Elmo warranty does not include those cases where:

Products were disassembled, modified or locally repaired, or damaged due to a not proper application/use like pollution of the ambient which the product works into (metal chips, chemical agent, water, ect.), thermal protection not used or not properly used, overvoltages or voltages spikes, wrong connections or supply, mechanical shocks.

### (1.2) **Higher levels of rejects/failures**

The evidence that the total Elmo Failure Rate **EFR**, progressively collected, exceeds, at a certain time of the year, the total rate of five per thousand ( $> 5\text{‰}$ ), will be considered as a kind of "early warning"

In such a case it will remain valid all what indicated in the point 1, but it may be agreed to carry on a joint inspection, also involving the customer's technicians, on products returned to the Elmo factory, to reach a final common conclusion about the reasons of the higher rates and to decide possible corrective actions.

**(1.3) Epidemic failures**

It will be considered as epidemic failures those which involve an high percentage of motors, affected by the same kind of problem which is recognized to be caused by the same original defect. In such a case after a proper technical/economical investigation to have a clear picture of the situation, if the amount of the relevant costs is at a level which justify it, Elmo may involve the insurance company who covers Elmo as far as the product liability is concerned (max world-wide coverage of 1 Million Euro).

In such a case it is understood that Elmo will turn to the customer, who is involved with the epidemic failures, whatever may be reasonably obtained from the Insurance Company.

The same customer will not be entitled, in any case, to ask Elmo for any further indemnity which exceed what is possible to receive from the insurance company.

**(2) Operativeness of the warranty terms.**

It is understood that the customer, after having been properly informed about the present conditions, is considered to be willing to fully and tacitly accept them by simply ordering to Elmo, with no need of an explicit separate written acceptance.

**(3) Competent Court**

The two parties agree in making reference, whenever necessary, to the Pavia (Italy) Court.

ELMO SRL