

General Purchasing Terms and Conditions of AVAPS s.r.o.

Version 01 valid from 1.11.2018 (hereinafter referred to as "GPTC")

1. Definitions

Unless otherwise specified, the terms with the capital initial letter contained in these GPTC have the following meanings:

"Contractor" means a natural individual or legal person who, under the Agreement, delivers the Subject of Performance to the Company.

"Delivery" means the delivery of the Subject of Performance in accordance with Article 7.2 of these GPTC certified by the Company by signing the delivery note or other relevant document.

"Invoice" means a tax document issued by the Contractor to the Company in accordance with the Agreement and these GPTCs. The invoice must contain all the details pursuant to § 435 of the Civil Code and the VAT Act. In the case of advance payments on the basis of advance invoices, the Invoice will be subsequently issued in accordance with the relevant legal regulations.

"Principal Relationship" means a contractual relationship established between the Company and its customers, in which the Company will be in the position of a contractor providing its customer with a performance that includes the Subject of Performance under the Agreement.

"GPTC" means these general purchase terms and conditions for the purchase of the Subject of Performance by the Company and any other version of these General Purchasing Terms and Conditions.

"CC" means Act No. 89/2012 Coll., The Civil Code, as amended.

"Business Day" means any weekday from Monday to Friday, excluding rest days in accordance with Act No. 245/2000 Coll., On Public Holidays, as amended.

"Subject of Performance" means the subject of performance within the Agreement, namely (i) the matter and its components, if the Agreement is a Purchase Agreement, or (ii) work, if the Agreement is a Work Agreement.

"Acceptance" means the Company's acceptance of the Subject of Performance within the meaning of Article 7.3 of these GPTC.

"Agreement" means any Purchase Agreement, Work Agreement, or similar agreement entered into between the Company in the position of Purchaser, the Customer or the like and the Contractor, the subject matter which is the Contractor's delivery of the Subject of Performance to the Company.

"Price" means the agreed price that the Company agrees to pay to the Contractor under the Agreement for the delivery of the Subject of Performance.

"Contracting Party" or **"Parties"** means either the Company or the Contractor or together the Company and the Contractor.

"Sub-contractor" means a third person who supplies the Contractor with the Subject of Performance or any part thereof or that provides the Contractor with any goods, services or rights forming part of the Subject of Performance under the Agreement.

"Company Websites" mean the Company's website available at www.avaps.cz.

"Company" means the company of AVAPS s.r.o., Business Reg. No. 25650939, Tax ID No. CZ25650939, registered office at U Obalovny 488, 250 67 Klecany, registered in the Commercial Register kept by the Municipal Court in Prague under the file No. C 58133.

"VAT Act" means Act No. 235/2004 Coll., On Value Added Tax, as amended.

2. Introductory provisions

2.1 **Subject of the GPTC.** These GPTC are prepared in accordance with § 1751 et seq. CC and they set out the basic rules and conditions governing all contractual relationships in the delivery of the Subject of Performance to the Company, unless otherwise agreed in the Agreement concluded between the Parties.

2.2 **Part of the Agreement.** These GPTC form an integral part of each Agreement. The current GPTC version is available on the Company's Website.

- 2.3 Previous Arrangements. Any oral or written statements, warranties, negotiations, business competitions, notifications of intentions and business practices not expressly provided or expressly incorporated in the Agreement will not be binding on any Contracting Party. The Agreement together with the GPTC replaces all prior written or oral agreements of any kind, commitments, plans, programmes, business competitions, notifications of intentions, and any other documents relating to the delivery of the Subject of Performance between the Contractor and the Company which were the subject of deliberations or negotiations of the Contracting Parties prior to the relevant Agreement's conclusion.
- 2.4 Agreement Priority. In the event of non-compliance or divergent arrangements of the Agreement and these GPTC, the Agreement's provisions shall prevail.
- 2.5 Contractor's Business Terms and Conditions. Contractor's Business Terms and Conditions for Contractual Relationships that are established by the Agreement are ineffective and inapplicable except when the Company expresses prior explicit written consent to the application of selected specific provisions of the Contractor's Business Terms and Conditions.
- 2.6 Agreement Interpretation. The Contracting Parties hereby declare that the Agreement and these GPTC are the result of mutual negotiations. In view of this, the Contracting Parties declare that none of the Contracting Parties is deemed, for the purposes of the interpretation of the Agreement and of these GPTC, to be the author of the Agreement's text or of these GPTC, and therefore the terms allowing different interpretations cannot be interpreted by any of the Contracting Parties. The terms given in the singular heading also include plurality and vice versa according to the context of these GPTC.
- 2.7 Relation to Commercial Practices. In accordance with § 558 para. 2 of the CC, the Contracting Parties hereby declare that their legal relations do not take commercial practices observed in general or in the particular sector into account

3. Agreement

- 3.1 Agreement Subject. The Contractor undertakes to deliver the Subject of Performance to the Company, e.g. (i) the matter and its components if the Agreement is a Purchase Agreement which the Contractor undertakes to deliver to the Company and to allow the Company to acquire ownership rights to such items and the Company undertakes to take over and accept items in their ownership and pay the Price to the Contractor or (ii) work if the Agreement is a Work Agreement that the Contractor undertakes to carry out for the Company at their expense and risk, and the Company undertakes to take over the Work and pay the Price for it.
- 3.2 The Agreement's Written Form. The Agreement may only be concluded and amended in writing, by an appendix concluded by duly authorised personnel to act on behalf of the Contracting Parties.
- 3.3 Draft Agreement and its Acceptance. One of the following documents, first drawn-up by one Contracting Party and delivered to the other Contracting Party is considered to be Draft Agreement: (i) a written order of the Subject of Performance executed by the Company and delivered to the Contractor, (ii) a tender for the delivery of the Subject of Performance prepared by the Contractor and delivered to the Company, (iii) a draft Agreement drawn-up by one Contracting Party and delivered to the other Contracting Party (hereinafter referred to as "**Draft**"). A Draft is also considered to be a Counter-Draft pursuant to Article 3.4 of the GPTC. The draft is not deemed to be the supply offer of the Subject of Performance provided by the advertisement, in a catalogue or by issuing the Subject of Performance. A Draft and the Counter-draft must be duly delivered to the other Contracting Party (hereinafter referred to as the "**Addressee**") by the presenting Contracting Party (hereinafter referred to as the "**Proposer**") in Article 3).
- 3.4 The Addressee's Reservations to the Draft or Counter-draft. If the addressee's Draft acceptance confirmation contains reservations on the subject or Draft's terms and condition or any other change, including such reservations, additions and derogations which, in the sense of § 1740 para. 3 of the CC, do not substantially alter the Draft and Counter-draft's terms and conditions, this conformation is deemed as rejection of the Draft and at the same time as a counter-draft (hereinafter "**Counter-draft**"). In the case of further reservations or differences contained in the Counter-draft's acceptance, the procedure in the first sentence of Article 3.4 will be repeated in the same way.
- 3.5 The Agreement's Conclusion. The Agreement is concluded when the proposer receives written confirmation from the Addressee regarding (i) the Draft's unconditional acceptance, or (ii) the

unconditional acceptance of the Counter-draft, or (iii) a signed order confirmation. For the avoidance of doubt, the addressee is not entitled to accept the Draft or Counter-draft in such a way that it is preserved, in particular if they provide or receive the performance.

- 3.6 *Deadlines for the Draft or Counter-draft's acceptance.* The addressee is obliged to confirm in writing or submit their substantiated objections to the delivered Draft within the time limit specified within the Draft (or Counter-draft) or within ten (10) calendar days of addressee's receipt, whichever deadlines expire earlier. If the addressee fails to accept the Draft (or Counter-draft) in writing within the deadline specified in the previous sentence, the Draft (or Counter-draft) is deemed to be rejected. The addressee is not obliged to respond to the Draft (or Counter-draft).
- 3.7 *Cancellation of the Draft or Counter-draft.* The Contractor is not entitled to cancel their Draft (or Counter-draft) from the date of its delivery to the Company until 10 days have elapsed since its delivery to the Company. The Company may revoke its Draft (or Counter-draft) at any time before the delivery of its acceptance by the Contractor to the Company.
- 3.8 *Changing the Subject of Performance at the Company's Request.* The Company may require to make a change in the quantity or specification of the Subject of Performance at any time prior to delivery. The Contractor is required to comply with this request for change and is obliged to inform the Company of the impact of this change on the Delivery date within five (5) days of receipt of the change request. The Company will decide whether or not they are interested in the change of the Subject of Performance on the basis of this information and if so, the Contractual Party shall enter an amendment to the Agreement. If the Contractor does not inform the Company within the five-day time limit on the impact of the change, it is considered that the change has no effect on the terms and conditions and the Contractor is obliged to deliver the modified Subject of Performance in the terms agreed in the Agreement.

4. Price

- 4.1 *The Price Amount.* The Company is obliged to pay the Price to the Contractor for the delivery of the Subject of Performance, in the amount stipulated in the Agreement. The price is negotiated as a fixed price.
- 4.2 *The Price Contains.* Except as otherwise provided in the Agreement, the Price also includes all costs associated with the Delivery, including shipping and packaging costs pursuant to Article 6.5 of the GPTC.
- 4.3 *Additional Pricing Arrangements.* The price can only be changed in accordance with Article 3.2 of the GPTC. The Contractor declares that the Price is no less favourable than the price that they offer for the same or similar Subject of Performance to other customers.

5. Payment Terms

- 5.1 *Contractor's Right to Invoice the Price.* The Contractor is entitled to issue an Invoice for the entire Price, unless stipulated otherwise in the Agreement at the earliest when the Company has issued an Initial Inspection Protocol within the meaning of Article 7.2 of the GPTC.
- 5.2 *Particulars of the Invoice.* The Company will make a payment for the Price by bank transfer to the Contractor's account specified in the relevant Invoice, which shall contain all the particulars of the tax and accounting document according to the relevant legal regulations, in particular:
- (i) the invoice number, date of issue, date of the taxable transaction and the due date of the Invoice, no later than 60 days from the date of receipt of the Invoice to the Company;
 - (ii) the identification data of the Contracting Parties, including the Contractor's bank details and the IBAN/SWIFT data;
 - (iii) Agreement number;
 - (iv) the delivery location of the Subject of Performance;
 - (v) designation and specifications of the Subject of Performance, including the serial number of the Subject of Performance, if assigned;
 - (vi) the quantity of the Subject of Performance;

- (vii) the unit price of the Subject of Performance, broken down excluding VAT, VAT and price inclusive of VAT;
- (viii) the total price of the Subject of Performance, broken down excluding VAT, VAT and price including VAT.
An Input Control Protocol issued by the Company within the meaning of Article 7.2 of the GPTC must be attached to the Invoice.
- 5.3 Return of Invoice. In the event that the Invoice issued by the Contractor does not have the prescribed or agreed terms, this Invoice will not be refunded to the Contractor and the Company is entitled to return it to the Contractor for completion, repair or replication at any time prior to its maturity without a delay in the payment of the Price. In the case of a repair, addition or a new copy, the maturity date of the modified, corrected or newly made Invoice starts to run from the moment of its delivery to the Company. The moment of payment for the invoiced amount is the moment when the relevant amount was debited from the Company's bank account.
- 5.4 Interruption of maturities. If the Company identifies any defect in any of the Deliverables of the Subject of Performance, the due date of the Price or the Price's remaining part is interrupted. Such suspension of the maturity date or its remaining part will start to run again from a date in accordance with the Company's choice according to these GPTC:
- (i) The Contractor removes defects on the Subject of the Performance and allows its proper use for the Company; or
- (ii) The Company delivers notification to the Contractor on the application of an appropriate discount from the Price for the faulty Subject of Performance.
- 5.5 Payment of Income Tax of a Foreign Contractor. If the Contractor is a foreign entity, the Contractor is required to provide the Company with a confirmation of the tax domicile of their company. If regulations in force in the Czech Republic in connection with the Agreement's implementation require the Company to pay the Contractor's income tax to local authorities, the Company will carry out the obligations arising from the above-mentioned regulations.
- 5.6 Statement of an Unreliable Payer. The Contractor expressly declares that:
- (i) is not an unreliable payer within the meaning of § 106a of the Law on VAT;
- (ii) the Contractor's bank account, to which any payment under this Agreement will be paid by the Company, is and will be the account that is duly kept in the VAT Payer Accounts Register;
- (iii) there are no grounds on which the Company would become or could become the Guarantor for the Contractor's VAT liability charged by the Company for the payment of the Price under this Agreement.
- 5.7 Statement on Contractor's Tax Obligations. The Contractor declares and undertakes to submit a proper tax return for VAT and, in the event of an obligation to pay VAT, it shall be paid to the local tax authority within the due date. The Contractor further states to have no intention of not paying VAT in connection with the performance of the Agreement, or any intention to reduce the tax or to make tax advantage, nor do they intend to get in the position whereby VAT will not be paid.
- 5.8 Retention Law of the Company. The Company is expressly entitled to withhold the VAT amount from the Invoice issued by the Contractor under the Agreement and pay the relevant payment to the Contractor without the amount of VAT deducted in the following cases:
- (i) The Contractor will become an unreliable payer within the meaning of the VAT Act at any time during performance of the Agreement;
- (ii) The Contractor requires the Company to pay any payment under the Agreement to a different account other than the one the Contractor has entered in the VAT Payer's Bank Accounts Register;
- (iii) The Company will be reasonably afraid that it may become a Guarantor for the Contractor's VAT liability charged by the Company for the payment of the Price under this Agreement.
- 5.9 Payment of Retained VAT. Amount of retained VAT under Article 5.8 GPTC the Company by its choice:
- (i) pays for the Contractor directly to the relevant depository account of tax administrator pursuant to § 109a of the Law on VAT; or
- (ii) pays directly to the Contractor if the Contractor clearly demonstrates to the Company that the Contractor's obligation to pay the relevant VAT amount has been properly and timely met.

- 5.10 Exclusion of Delay with the Price Payment. For the avoidance of doubts, the Company will not be in default with payment of the relevant part of the Price in accordance with the procedures of Article 5.5 to 5.9 of the GPTC.

6. Delivery terms

- 6.1 Quality, Design and Quantity of the Subject of Performance. The Contractor is obliged to deliver the Subject of Performance to the Company in a timely manner in accordance with the Agreement and the GPTC, and is required to meet the quality requirements of the Subject of Performance stated in the Agreement and in the Technical and Quality Requirements for the Subject of Performance (hereinafter referred to as "**Technical and Quality Requirements**"). The technical and quality requirements are annexed to the GPTC. The Contractor acknowledges and agrees that the Technical and Quality Requirements will apply to the respective delivery, which will be subject to the Subject of Performance by its nature. In the event that the quality, performance or other specific features are not stated in the Agreement, the Contractor shall provide the Subject of Performance in such quality and design as to fully meet the purpose to which the Subject of Performance is supplied, unless such purpose is agreed, then the purpose for which the Subject is normally used. The Subject of Performance must also be in compliance with all technical and safety standards applicable for the type of Subject of Performance. The Contractor confirms that, for the purposes of the Agreement's implementation, the mandatory provisions of legal and technical regulations are binding. The Subject of Performance must be new, unused, undamaged and made of quality material and must be capable of sustaining standard performance consistent with the purpose for which it is delivered. The Subject of Performance must not be subject to any legal defects. The Contractor is obliged to deliver the Subject of Performance in the amount specified within the Agreement. The Contractor is aware that the Company manufactures, amongst others, fire safety equipment and that the Subject of Performance may be further processed by the Company in fire safety facilities. The Contractor declares to be aware that the quality of the Subject of Performance may depend on the lives and health of people, and failure to comply with the Technical and Quality Requirements may result in the occurrence of major injury.
- 6.2 The Company's Orders and Documents. The Subject of Performance will be delivered by default based on the Company's selection from the Contractor's product catalogue. In the event that the Subject of Performance is manufactured and delivered on the basis of the Company's documents or orders, the Contractor shall inform the Company of the inappropriateness of such documents or orders in writing. If the Contractor fails to notify the Company in writing on the inaccuracies of their orders or supporting documents without undue delay within three (3) days from the moment the Contractor becomes aware of the inappropriateness, then the Contractor shall be liable for any defects and damage caused by executing these orders or by using these documents.
- 6.3 Compliance with Legislation. The Contractor declares that no legislation will be breached in the provision of the Subject of Performance (including legislation on hazardous and toxic substances management, environmental protection, safety and hygiene standards, technical standards, etc.) and that the Subject of Performance meets all requirements set by the relevant legal regulations. The Contractor is liable for the damage suffered by the Company in the event that the above Contractor's declaration proves to be untrue.
- 6.4 Sub-contractors. The Contractor is entitled to use the Sub-contractor for production and delivery of the Subject of Performance. In such a case, the Contractor is obliged to ensure that Sub-contractors undertake to comply with Contractor's obligations under the Agreement and the GPTC. The Contractor is obliged to allow the Company to control the Sub-contractors as required by the Company. The Contractor is liable to the Company for performance provided by the Sub-contractor and any damage caused by Sub-contractor as if the Contractor themselves provided the liability or caused the damage. If the Contractor uses a proxy, employee or other assistant in their activities, they will compensate for damage caused by them as if they had done it themselves.
- 6.5 Packaging and Ensuring the Subject of Performance. The Contractor is required to pack the Subject of performance for transport at their own expense and to ensure that it cannot be damaged, degraded or stolen during transport, including loading and unloading, and that the packaging allows safe and long-term storage of the Subject of Performance without a loss of quality. The packaging for the Subject of

Performance and the delivery note must clearly state the labelling of the Contractor, the Company, the Agreement number and other terms within the Agreement. In the event that the Packaging is marked by the Contractor as being returnable, the Contractor is obliged to collect the packaging at the Company's registered office at their own expense within 14 (fourteen) days from the Company's date of receipt of the Subject of performance.

- 6.6 Document for the Subject of Performance. Along with with the Subject of Performance the Contractor is obliged to deliver all the documents to the Company that are necessary for acceptance of the Subject of Performance, handling, customs clearance and use of the Subject of Performance, as well as the documents required by mandatory standards and legal or technical regulations. These especially include the documents governing the technical conditions of installation, operation and maintenance of the Subject of Performance, Declaration of Conformity, Certificates, Safety Data Sheets, Certificates or Instructions for Use including, but not limited to, a notification if the Subject of Performance requires special treatment, assembly, maintenance, etc. All documents must be delivered by the Contractor in the original, written form, legible and in electronic form at the Company's request. In a case where the documents are not in Czech language, the Contractor is obliged to arrange their translation and to hand at least one copy of the documents over to the Company in Czech language. At the Company's request the Contractor is further required to provide all assistance and synergy in obtaining documents or relevant electronic reports issued in the Czech Republic and/or in the country of origin that the Company may require for the export and/or import of the Subject of Performance and, transit of the Subject of performance through the territory of a third State if necessary. Should the Contractor incur additional costs (such as customs, warehousing or other charges) due to the Contractor's delay in handing over the full and complete documents, the Contractor shall pay these costs.
- 6.7 Delivery Location. Unless otherwise provided in the Agreement, the Subject of Performance shall be delivered to the registered office of AVAPS s.r.o. at U Obalovny 488, 250 67 Klecany by the Contractor.
- 6.8 Delivery Date. The delivery date is negotiated within the Agreement. Unless the Company decides otherwise, the Contractor is obliged to deliver the Subject of Performance on Business Days during the Company's usual working hours, i.e. from 6:00 am to 2:00 pm. The Contractor is obliged to notify the Company of the Delivery date by e-mail at least three (3) business days in advance. The Contractor is obliged to inform the Company immediately in the event of a delay in Delivery by e-mail to the Company (the Client).
- 6.9 Delivery in Parts. Delivery in parts is only possible if it is agreed within the Agreement or the Company agrees to it in writing.
- 6.10 Proper Delivery. The Contractor is obliged to deliver the Subject of Performance to the Company properly and in a timely manner. The Subject of Performance is deemed to have been delivered if it is delivered on the agreed date and subject to the following conditions:
- (i) the Subject of Performance is duly delivered by the Contractor to the agreed delivery location;
 - (ii) along with the Subject of Performance, complete and perfect documents are provided in accordance with Article 6.6 of the GPTC.
- 6.11 Late Delivery. If the Contractor fails to fulfil their obligation to properly and timely deliver the Subject of Performance to the Company, the Company shall be entitled to the payment of a contractual penalty by the Contractor within the meaning of Article 9.1 of the GPTC.
- 6.12 Transfer of Ownership and Risk of Damage. The Company acquires ownership of the Subject of Performance at the time of its delivery within the meaning of Article 6.10 of the GPTC. The risk of damage to the Subject of Performance passes to the Company at the time of Takeover within the meaning of Article 7.3 of the GPTC.

7. Tests, inspections and takeover

- 7.1 Inspections during the Performance of the Agreement. The Contractor undertakes to perform all relevant inspections and tests on the Subject of Performance, in particular to ascertain whether the Agreement's requirements are met. These inspections and tests will be carried out by the Contractor according to its quality assurance programme and in accordance with legal regulations and technical standards. The Company is authorised to review the performance of the Contractor's and Sub-Contractor's obligations

under the Agreement, i.e. in particular, production of the Subject of Performance and the performance of tests. The Contractor is required to notify the Company and allow the Company to participate in these tests. The Contractor is obliged to notify the Company 3 (three) Business Days prior to any test and allow the Company to participate in the tests. Any checks from on the Company's behalf do not deprive the Contractor of the responsibility for proper and timely delivery in accordance with the Agreement and do not affect any of the Company's claims under any liability of the Contractor. If the Company finds that the Contractor is in breach of their obligations while carrying out performance under the Agreement, they may require the Contractor to remedy any deficiencies immediately that have thereby arisen.

- 7.2 Initial inspection. The Company will carry out the initial inspection of the Subject of Performance no later than fifteen (15) Business Days from delivery. As part of the initial inspection, the Company is entitled to review and re-check the Subject of Performance to determine whether all the Agreement's requirements and the GPTC have been met. The Company is required to draw-up a report on the initial inspection. In the event that the Subject of Performance does not meet the requirements and properties specified within the Agreement and the GPTC, the Company is entitled to refuse the Takeover and not to prepare the Initial Inspection Report. The cost for shipment of the returned Subject of Performance to the Contractor is borne by the Contractor.
- 7.3 Acceptance. The Company's Acceptance of the Subject of Performance will take place at the moment an initial inspection report is issued pursuant to Article 7.2 of the GPTC. If the Company fails to submit the initial inspection report within 15 (fifteen) Business Days of Delivery or Contractor within the same period of time does not state the reasons for refusing the Acceptance, it shall be deemed that the Acceptance of the Subject of Performance was due to expire without the expiry of this 15-day period.
- 7.4 Taking over the Construction. The Contracting Parties expressly exclude the application of § 2628 of the Civil Code.

8. Rights of Defective Performance and Quality Guarantee

- 8.1 Defects. The Subject of Performance is defective if it is not delivered in the agreed quantity, quality and design. Defects are also considered as legal defects in the Subject of Performance and defects in documents that the Contractor is obliged to deliver to the Company along with the Subject of Performance.
- 8.2 Complaint of a Defect Determined at Delivery. Claiming defects of the Subject of Performance will take place through the ERP system operated by the Company. If the Subject of Performance contains defects upon Delivery, the Company is entitled to:
- (i) refuse to accept the Subject of Performance or any part thereof, to return it to the Contractor at their own cost and to require the Contractor to remedy the defect of the Subject of Performance by delivering a new or a missing part of the Subject of Performance; or
 - (ii) require the Contractor to remedy a defect in the Subject of Performance at the place and time limit specified by the Company; or
 - (iii) carry out the Takeover, with the Company claiming an appropriate discount from the Price; or
 - (iv) withdraw from the Agreement,
- until the fulfilment of the Contractor's obligations according to (i) or (ii) or until the written agreement on the amount of the discount pursuant to (iii), the time limit for the Takeover pursuant to Article 7.3 of the GPTC is not started for the Company.
- 8.3 Warranty. The Contractor is responsible for all defects that occur on the Subject of Performance during the warranty period starting at the time of the Takeover and ending twenty-four (24) months from the Takeover. The Contractor shall be liable for any defect that occurs on the site or its parts during the warranty period which commences at the time of the Takeover and ends sixty (60) months from the Takeover, if the Subject of Performance is carrying out the construction, maintenance, repair or modification of the building or its part. The Contractor undertakes that the Subject of Performance will be eligible for use for the purpose agreed in the Agreement for the whole warranty period, otherwise for the purpose of its customary use, and that it retains the agreed properties. If the Agreement does not provide certain properties of the Subject of Performance, the Contractor undertakes to maintain the usual performance throughout the warranty period. The warranty period does not run for as long as the

Company or its customers cannot use the Subject of Performance due to defects that the Contractor is responsible for. In the event of a replacement of the Subject of Performance, the warranty period runs in full scope from the beginning.

8.4 Claims for a Defect within the Warranty Period. Claims for defects on the Subject of Performance during the warranty period will be executed via the ERP system operated by the Company. In the event of a defect on the Subject of Performance, the Company is entitled to:

- (i) require the Contractor to remedy the defects by supplying a substitute or part of the Subject of Performance and requesting the removal of legal defects;
- (ii) require the Contractor to remedy defects by repairing the Subject of Performance if defects are remedied;
- (iii) require a reasonable discount from the Price; or
- (iv) withdraw from the Agreement.

The Company is entitled to alter selected claims due to defective performance or warranty until such time as the defect in question has been completely remedied.

8.5 Contractor's obligations. If the Contractor is required to remedy a defect in the Subject of Performance and unless the Agreement or Company otherwise provides, the Contractor is required to remedy the defect:

- (i) within forty-eight (48) hours of the claim in the event of defects impeding the safe and reliable use of the Subject of Performance; and
- (ii) within seven (7) calendar days in the case of other defects.

The Contractor is obliged to remove the defects at their own expense even if there are doubts regarding responsibility for the defect in question. In the event that the Contractor subsequently proves that they are not responsible for the defect, the Company will pay reasonably incurred and duly documented costs to remedy the defect to the Contractor.

8.6 Failure to Remove Defects. If the Contractor is required to remedy the defect on the Subject of Performance and (a) The Contractor does not remedy the defect on the Subject of Performance correctly and in good time, or (b) before the expiration of the defect removal period, the Contractor shall notify the Company that they will not remedy the defect, or (c) it will be clear that the Contractor is unable to remove the defect properly and in good time, then the Company can:

- (i) withdraw from the Agreement;
- (ii) require a reasonable discount from the Price;
- (iii) repair the Subject of Performance themselves or through another person at the expense and risk of the Contractor or secure a substitute Subject of Performance. The Contractor undertakes to fully cover the Company's costs. The procedure under this point (iii) is without prejudice to the Contractor's rights in respect of the Subject of Performance or to the Warranty or liability of the Contractor for damage caused by the defective Subject of Performance or caused or incurred in the removal of defects on the Subject of Performance.

8.7 Non-refundable part of the Price until defects are removed. The Company is not obliged to reimburse the Contractor for the relevant part of the Price prior to defect removal.

9. Contractual fines and liability for damages

9.1 Contractual Fines for Late Delivery. If the Contractor fails to comply with their obligation to deliver in good time and in the proper manner, the Company shall be entitled to payment of a five percent (5%) contractual penalty from the Contractor for each commenced period of seven (7) calendar days of delay.

9.2 Contractual penalty for a delay with removal of defects. If the Contractor fails to comply with their obligations arising out of liability for defects or warranty, the Company shall be liable for the payment of a contractual penalty to the Contractor of half of one percent (0.5%) of the Price for each commenced day of delay.

- 9.3 Contractual penalty due to violation of OSH regulations. Should the Contractor breach any obligation under Article 10.2, the Company shall be liable for the payment of a contractual penalty of 20,000 CZK to the Contractor for each individual infringement case.
- 9.4 General provisions on contractual penalties. The Contractor's obligation to pay a contractual penalty also applies to cases where the Contractor's default arises as a result of the Sub-Contractor's delay. The contractual fine is due within 14 (fourteen) days of delivery of the contractual penalty to the Contractor. By negotiating any contractual penalty or payment thereof, the Company's claim for full compensation is not prejudiced.
- 9.5 Damage Liability. The Contractor is liable for any damage caused to the Company, to the Company's customers or other persons in connection with the breach of their obligations under the Agreement. Within thirty (30) days from the date of service of the Company's written request, The Contractor shall compensate the Company for any damage, in particular any amounts incurred to the Company in connection with the Contractor's breach of obligations, the Company's costs incurred in connection with a breach of the obligations under the Agreement as well as any costs incurred in connection with the defects of the Subject of Performance or as a result thereof, including the dismantling and reassembling costs of the Subject of Performance, the costs of necessary modifications or the shutdown of the final product in which the Subject of Performance was incorporated, etc.
- 9.6 Liability for Damage Caused to the Company's Customers. The Company draws attention to the Contractor and the Contractor acknowledges and understands that their supplies may be an integral part of highly technical and manufacture-complex machines, other complex facilities or technology lines supplied by the Company to its customers within the Main Relationships framework, whose market value may reach several tens up to hundreds of millions of Czech crowns, with the Company's proper and timely performance in the framework of the Principal Relations contractually secured by substantial financial sanctions in the form of contractual penalties and damage compensation, including lost profits. In view of the above, the Contractor understands and agrees that any damage associated with the Contractor's delay in the Agreement also includes any sanctioning of the Company against its customers. The Contractor declares that they will take all necessary precautions to prevent damages under this Article 9.5 and in the event that damage arises due to their delay, they declare to understand that such damage may exceed the total amount of the Price, committing to cover such damage in full amount.

10. Other arrangements

- 10.1 Technical Documentation. All technical and other documentation provided by the Company to the Contractor in connection with the Agreement, as well as any information contained therein, shall remain the Company's exclusive property. Technical and other documentation within the meaning of this Article and the information contained therein shall not be disclosed to any third party by the Contractor or used for the benefit of any third party unless the Company has given prior written consent for it. This documentation is only used by the Contractor in connection with the performance of their obligations under the Agreement.
- 10.2 Activities performed at the Company by the Contractor. If the Contractor carries out performance of the Agreement on Company premises or in a place designated by the Company, they are only obliged to do so on premises or handling areas designated by the Company or their designated person and comply with all health and safety regulations on the Site, regulations governing the Company's behavioural rules, including the prohibition of alcohol and other narcotics on Company premises, and presence under the influence of alcohol and other narcotics on Company premises. Compliance with health and safety regulations at work is subject to Company review at any time.
- 10.3 Compensation of receivables. The Company is entitled to unilaterally offset against any of the Contractor's claims from the Agreement. The Contractor is not entitled to unilaterally offset their claims against the Company's receivables from the Agreement.
- 10.4 Assignment of receivables. The Contractor is not entitled to assign or suspend their claims on the Company's behalf to a third party without the Company's written consent.
- 10.5 Assignment of rights and obligations under the Agreement. The Company is entitled to assign the rights and/or obligations of the Agreement to a third party even without the Contractor's consent.

10.6 *Prohibition of illegal employment.* By signing the Agreement, the Contractor declares that they do not allow the execution of illegal work, which the Company is authorised to check at any time during the Agreement term.

11. Termination of the Agreement

11.1 *Termination of the Agreement.* The Agreement may only be terminated prematurely by agreement of the Parties or by withdrawal of one of the Contracting Parties in accordance with the Agreement.

11.2 *Company Withdrawal.* The Company is entitled to withdraw from the Agreement for reasons under the CC and also in the following cases:

- (i) Contractor's delay in Delivery exceeds five (5) weeks;
- (ii) Contractor's delay with the removal of a defect on the Subject of Performance under Article 8.2 or 8.4 of the GPTC exceeds five (5) weeks;
- (iii) The Contractor violates an obligation in any material way under the Agreement and fails to comply with this obligation within an additional reasonable period specified by the Company;
- (iv) a force majeure event as set forth in Article 12.3 of the GPTC to prevent compliance with the obligations under the Agreement will last for more than three (3) months;
- (v) The Contractor shall enter into liquidation or be sued by execution of the decision (execution) by the sale of the plant or an insolvency petition, bankruptcy;
- (vi) The main relationship is terminated for any reason.

11.3 *Settlement after the Company's withdrawal.* In the event of the Company's withdrawal from the Agreement pursuant to Article 11.2 of the GPTC, the Company is entitled to decide, at its own discretion, whether to retain the part of the Subject of Performance so far delivered or produced, irrespective of the stage of its completion and the fact whether the ownership right has already moved to the Company or not. In the event that the Company decides to retain part of the Subject of Performance, they will pay the Contractor a proportionate portion of the Price corresponding to the value of this part of the Subject of Performance; if before withdrawing from the Agreement the Company paid the Contractor an amount exceeding this proportion of the Price, it has the right to refund the amount exceeding that proportion of the Price.

11.4 *Withdrawal by the Contractor.* The Contractor shall only be entitled to withdraw from the Agreement in the event of a material breach of the Company's obligations which include only:

- (i) the Company's delay in paying the Price for more than sixty (60) Business Days, to which the Company will be notified in writing by the Contractor no later than 30th Business Day of Delay;
- (ii) a force majeure event as set out in Article 12.3 of the GPTC to prevent compliance with the obligations under the Agreement will last for more than three (3) months.

11.5 *Withdrawal without providing a reason.* Notwithstanding any provision of the GPTC, the Company is entitled to withdraw from the Agreement at any time prior to Delivery without providing a reason. Unless the Contracting Parties agree otherwise, the following procedure shall apply in such a case:

- (i) The Company shall take over the part of the Subject of Performance that has been duly produced by the Contractor until the effective withdrawal date and pay a Part of the Price for that part of the Subject of Performance which corresponding to the value of this part. If the Company has paid the Contractor an amount exceeding that proportion of the Price prior to withdrawing from the Agreement they have the right to a refund for the amount exceeding that proportion of the Price;
- (ii) with respect to the part of the Subject of Performance that is not manufactured or developed, the Contractor is not entitled to any part of the Price or any costs associated with the preparation of the production. In this case, the Contractor shall only be entitled to compensation for proven and incurred cost in connection with the Agreement's, which shall not exceed ten percent (10%) of the Price of the undelivered part of the Subject of Performance. For the avoidance of doubt, it is stated that the Company is not obliged in this case to pay the Contractor for a margin or lost profit.

- 11.6 *Form and effects of withdrawal.* Withdrawal shall be in writing and shall be duly delivered to the other Contracting Party. Withdrawal is effective from the date on which the notice of withdrawal was delivered to the relevant Contracting Party.
- 11.7 *Continuing Claims and Arrangements.* Withdrawal causes the Agreement's expiry. Withdrawal shall be without prejudice to the following provisions of the Agreement and the GPTC and the claims of the Contracting Parties:
- (i) claims relating to damages for breach of the Agreement;
 - (ii) the rights to defect of the Subject of Performance or the guarantee for the Quality of the Subject of Performance;
 - (iii) claims for contractual penalties arising from breach of the Agreement;
 - (iv) provisions governing the Company's rights and obligations under Articles 5.5 to 5.9 of the GPTC;
 - (v) the provisions governing the guarantee of quality and the rights of defective performance;
 - (vi) the provisions governing the settlement of the Contracting Parties in the event of their resignation;
 - (vii) provisions for the return of the items entrusted;
 - (viii) provisions on the confidentiality of documents;
 - (ix) provisions on choice of law and dispute resolution;
 - (x) provisions relating to such rights and obligations, whereby their nature is that the Contracting Parties are bound to oblige after the Agreement's termination.

12. Final Provisions

- 12.1 *Suspension of performance under the Agreement.* The Contractor shall at any time prior to Delivery, suspend the performance under the Agreement at the Company's request. During the suspension period, the Contractor is obliged to take care of the manufactured or developed parts of the Subject of Performance and to proceed with its delivery without undue delay after respective suspension's cancellation. Due to suspension of performance, the Contractor is only entitled to claim reasonable and properly documented storage costs from the Company, but it will be charged up to (i) from the forty-fifth (45th) day of suspension in general; or (ii) from the 90th day of suspension if the suspension has occurred due to suspension or cancellation of the Main Relationship. For the avoidance of any doubt, the Contractor confirms that, due to a suspension of performance under the Agreement, the Contractor will not be entitled to increase the Price.
- 12.2 *Obligation of confidentiality.* Without the prior consent of the other Contracting Party the Parties shall not, divulge information to third parties, except those which must be informed by law and/or decision of public authorities and/or for the purpose of implementing the Agreement (e.g. sub-contractors, business partners or attorneys, sub-contractors of another performance in order to ensure the continuity of their performance and fulfilment of the Contractor under the Agreement and the Company's Client in the framework of the Main Relationship), information on the Agreement's existence and content, or any information or documents transmitted to each other relating to the Agreement. The Contracting Parties shall be liable for any damage to the other Contracting Party arising from a breach of this obligation.
- 12.3 *Force Majeure.* Force majeure means an extraordinary or unforeseeable impediment that has occurred independently of the Contracting Party's or Sub-contractor will, and which temporarily or permanently hinders it from fulfilling their duty unless it can reasonably be assumed that the Contracting Party will avert or overcome this obstacle or its consequences, at the time of the Agreement's conclusion they foresaw this obstacle. Such obstacles include natural disasters, terrorist attacks, wars, civil unrest, rebellion, or a revolution not of a local nature. The events of force majeure do not include such events as strikes, exclusions, delays in deliveries to Sub-contractors (if not caused by force majeure), insolvency, lack of labour or material. In the event of force majeure, the affected Party extends the deadlines for the fulfilment of their obligations under the Agreement for the duration of the force majeure event. The Contractor is obliged to inform the Company of the occurrence and termination of the force majeure event without undue delay, but no later than five (5) Business Days from the day the event first occurred. Otherwise, the Contractor will be unable to appeal to circumstances of force majeure. However, liability does not

- exclude an obstacle which arose at a time when the obligated Contracting Party was already in default of fulfilling its duty.
- 12.4 Applicable law. The Contracting Parties rights and obligations, including the Agreement's conclusion, its validity and effectiveness shall be governed by Czech Republic laws. If the GPTC or the Agreement contain a reference to a specific INCOTERMS 2010 clause, the provisions contained in the INCOTERMS 2010 clause become part of the GPTC and/or the Agreement. The application of the UN Convention on Agreements for the International Sale of Goods is excluded.
- 12.5 Settlement of disputes. If the Contractor is a Czech Republic resident, any disputes arising out of or in connection with the legal relations established by the Agreement shall be settled by the General Court competent according to the Company's registered office. If the Contractor is a resident or a dispute arising out of legal relations established by or in connection with the Agreement will ultimately be settled by the Arbitral Tribunal from the Czech Chamber of Commerce and the Agrarian Chamber of the Czech Republic (hereinafter referred to as the "**Arbitration Court**") according to its decision Rules and Rules by three arbitrators. Each of the Contracting Parties shall appoint one arbitrator, who will then select a third arbitrator, who will also be the chairman of the arbitration panel. In the event that the third arbitrator fails to agree, the President of the Arbitration Court shall appoint it. The meeting place will be Prague. The Parties undertake to fulfil all the obligations laid down by arbitration.
- 12.6 Salvatore clause. In the event that any provision of the Agreement or the GPTC is, or will become, or will be found to be invalid, ineffective or unenforceable, this will not affect (to the maximum extent permitted by applicable law) the validity, effectiveness or enforceability of the remaining provisions of the Agreement or the GTPC. The Contracting Parties undertake to replace such invalid, ineffective or unenforceable clause without undue delay and not later than 10 days with a valid, effective and enforceable provision that will be as meaningful and as lawful as possible to the effect of the provision be replaced.
- 12.7 Danger of changing circumstances. In accordance with the provisions of § 1765 para.2 and 2620 para.2 of the CC the Contractor shall assume the risk of changing circumstances
- 12.8 Publication of the GPTC. Individual versions of GPTC and documents constituting Technical and Quality Requirements are published by the Company on the Website, specifying their version and date of publication. References to the current published version of the GTPC and/or Technical and Quality Requirements will be deemed sufficient, understandable and specific to apply the relevant current version of the GTPC and/or Technical and Quality Requirements to the applicable contractual relationship.
- 12.9 Changes in GPTC. At any time the Company may make changes to the GPTC and/or Technical and Quality Requirements by publishing it on the Website. Newly concluded Agreements will always be governed by the GPTC and Technical and Quality Requirements as at the time of the Agreement's conclusion. On already concluded Agreements, the new version of the GPTC and/or the Technical and Quality Requirements will be applied if both Parties agree with the written consent.
- 12.10 Limitation period. The Contracting Parties hereby agree that, in relation to the Company's rights, the limitation period's duration is 10 years.
- 12.11 Non-adoption Agreement. The Contracting Parties conclude mutual contractual relations in connection with their business and the provisions of § 1798 - 1800 of the Civil Code do not apply in the circumstances of their conclusion. The Contractor expressly declares not to be a weaker contractual party.
- 12.12 Efficiency. This version of the GPTC is effective from 1.11.2018