

**PURCHASE TERMS AND  
CONDITIONS No. 03/2018**

**CONCLUSION OF CONTRACT**

1. A proposal for entering into a Purchase Contract (hereinafter referred to as the “Order”), submitted by the Buyer in writing, shall be accepted by the Seller in writing within 10 days of receiving the Order, but no later than 15 business days from the date on which the Buyer sends the Order. The acceptance of the Order may also be notified by the Seller to the Buyer by fax or e-mail, and the Seller must send an original written acceptance of the Order, signed by the Seller, to the address of the Buyer’s registered office within 3 business days of the date on which the fax or e-mail is sent.
2. A Purchase Contract (hereinafter referred to as the “Contract”) is concluded on the date of delivery of written acceptance of the Order, signed by the Seller, to the address of the Buyer’s registered office no later than the last day of the period specified in the Order for the acceptance thereof. Any late acceptance shall be effective as acceptance if such a fact is confirmed by the Buyer to the Seller in writing.
3. Acceptance of the Order shall not lead to the conclusion of the Contract if it contains any amendments or modifications, even if such amendments or modifications do not substantially change the conditions of the Order. In such cases, the Contract shall only be concluded if the Buyer confirms this new proposal and sends it back to the Seller.
4. Any changes, amendments to, or cancellation of the Contract concluded between the Buyer and the Seller (hereinafter jointly referred to as the “Parties”) may only be executed in writing. An Amendment to the Contract shall take effect between the Parties on the date it is signed by the Buyer and the Seller, otherwise on the date of delivery of the Amendment, signed by the last Party, to the address of the other Party’s registered office.
5. This rule shall not apply in the event that the Seller who receives the Order from the Buyer gives the consent to the Order by handing over the requested item, which is the subject of the purchase (hereinafter referred to as the “Goods”), to the Buyer within the period determined for acceptance of the Order.
6. If the Contract contains different provisions from the provisions of these Purchase Terms and Conditions (hereinafter referred to as the “Conditions”), the provisions of the Contract shall prevail.

**DELIVERY TERMS**

7. The Seller undertakes to provide the Buyer with tangible movable items and their parts (hereinafter referred to as the “Goods”), as well as the documents relating to the Goods, and shall allow the Buyer to acquire the title to the Goods in accordance with the Contract and these Conditions.  
The Buyer undertakes to accept the Goods and pay the Purchase Price for the Goods to the Seller.
8. Goods within the meaning of the preceding rule shall not be deemed to be tangible movable items that are only to be manufactured, if the Buyer has undertaken to hand over to the Seller a substantial part of the items required for the manufacture of the Goods or if the major part of the Seller’s obligation lies in carrying out activities.
9. The Seller shall hand over the Goods to the Buyer in the quantity, quality, and design agreed in the Contract. If the quality or design of the Goods are not specified in the Contract, the Seller shall provide the Goods of a quality and design according to the applicable technical standard, or of a quality and design complying with the purpose that has been agreed, or a purpose for which such Goods are normally used, and/or a purpose implied by the Buyer’s Order. The quality and design must also comply with all generally binding legal, technical, safety, and other regulations which apply to the Goods.
10. The Seller shall hand over the Goods to the Buyer together with documents relating to the Goods, at the Seller’s own expense and risk, at the time and in the place agreed in the Contract. Unless otherwise agreed in the Contract, the place of delivery shall be the Buyer’s registered office.
11. Unless otherwise agreed in the Contract, the delivery of the Goods shall be carried out under the delivery condition: DDP Buyer’s registered office (INCOTERMS 2010).

12. If the Seller hands over the Goods to the Buyer at the Buyer's registered office, a Goods Handover and Acceptance Report on the delivery of the Goods shall be drawn up and signed by representatives of both Parties. In other cases, a Delivery Note, confirmed by a Buyer's representative, shall constitute a document on the handover of the Goods.
13. If the Seller delivers Goods in a higher quantity than is specified in the Contract, the Contract shall not be entered into for any excess quantity, unless the Buyer states in writing that the Buyer accepts the excess quantity. Otherwise, the Seller shall take back any excess Goods, at the Seller's own expense.
14. Partial deliveries shall only be acceptable in cases where the Parties have expressly agreed to partial deliveries in the Contract.
15. The Seller shall notify every (even partial) delivery sufficiently in advance. All deliveries must always be marked with the Buyer's name, registered office and Contract number also on the outer side of packages. If the Seller puts together in one delivery the Goods that are to be delivered under several Contracts concluded with the Seller, each delivery shall be notified separately, and a separate invoice shall be issued by the Seller, unless agreed otherwise.
16. The Goods shall be packed in a manner that is suitable for the agreed type of Goods and the agreed method of transportation in order to prevent any damage to the Goods during transportation to the agreed place of delivery, and to ensure safe handling and storage of the Goods. The packages and padding materials used shall only be returned if their return is expressly agreed upon in the Contract. In such cases, the package number, package owner and a clear marking that the package is returnable must be displayed on returnable packages, otherwise the packages shall be treated as non-returnable. All packages must be environmentally friendly and must comply with the statutory requirements of the applicable generally binding legal regulations.
17. All costs associated with the transportation and handover of the item at the place of performance, including the costs for packages, packing and securing the Goods for transportation, and for returning the packages if applicable, shall be borne by the Seller.
18. The Seller shall hand over the documents that are necessary for the acceptance and free disposal of the Goods in due time no later than upon delivery of the Goods. The documents must be legible, clear, without mistakes, and must include the Contract number. Unless otherwise required by the Buyer, the documents must be prepared in Czech.
19. The title to the Goods shall pass from the Seller to the Buyer simultaneously with the transfer of the risk of damage to the Goods.
20. The Seller is aware of the potential risk of a substantial change in circumstances, consisting in a disproportionate increase of the costs for the performance, and assumes this risk of a substantial change in circumstances.
21. The Seller expressly states that, as of the date on which the Contract is concluded and the Goods are delivered to the Buyer, the Goods are not pledged or encumbered with any third-party rights, nor do they contain any legal defects.

### **QUALITY WARRANTY, LIABILITY FOR DEFECTS**

22. The Seller gives the Buyer a quality warranty for the delivered Goods for a period agreed individually in the Contract, otherwise for a period of 24 months from the date of due delivery of the Goods to the Buyer.
23. If the warranty period specified in the Contract differs from the warranty period specified in the warranty certificate, the longer period shall apply. If the warranty period specified in the Contract differs from the warranty period specified on the package, the period specified in the Contract shall apply. If the warranty period specified in the warranty certificate differs from the longer warranty period specified on the package, the longer period specified on the package shall apply.
24. The Buyer is entitled to report any discovered differences in quantity or visual defects within 14 days from delivery of the Goods to the Buyer. The Buyer is entitled to report any other defects within the complaint period, which is equal to the warranty period. A complaint about a defect shall be made in due time if it is sent by the Buyer on or before the last day of the warranty period.

25. The Buyer is obliged to notify/reproach the Seller for any defects found in writing, by letter, fax, or e-mail. The Buyer shall describe the detected defect, or state how it manifests itself, and notify the Seller as to which of the rights arising under liability for defects the Buyer has chosen, as well as the deadline by which the defect is to be removed. The method chosen by the Buyer is binding on the Seller.
26. The Seller is obliged to remove the detected defects of the Goods under the right arising from liability for defects chosen by the Buyer within 7 days of delivery of the notice. If the Buyer chooses to remove the defect or deliver new Goods without defects, the Buyer shall determine a reasonable remedial period for the Seller. When new Goods are delivered, the Buyer shall return the defective Goods according to the transportation instructions communicated by the Seller at the Seller's expense. If requested by the Buyer, the Seller shall send a representative without delay to check and evaluate the claimed defect.
27. If the Seller is delayed in removing the claimed defect within the period determined by the Buyer or agreed upon by the Parties, the Buyer shall be entitled to remove the defect themselves or through a third party at the Seller's expense. The Seller shall reimburse the costs to the Buyer within 30 days of delivery of the relevant bill. If the defect cannot be removed or its removal would require disproportionate costs, the Buyer shall be entitled to withdraw from the Contract, or to choose any other right arising from liability for defects.
28. The Seller is obliged to remove the claimed defects even if the Seller does not admit them. The Seller shall always use new and original spare parts for warranty repairs.
29. Until any defects are removed, the Buyer shall not be obliged to pay a part of the Purchase Price (if not paid yet) which, based on an estimate, corresponds to the Buyer's right to a discount. This part of the Purchase Price shall be retained by the Buyer until the defect is removed.
30. The exercise of a right arising from liability for defects shall not prevent the Buyer from exercising any other legal rights.
31. In addition to the rights arising from liability for defects, the Buyer shall be entitled to claim against the Seller any damage incurred by the Buyer due to a breach of the Seller's obligations, including the costs of any disassembly and reassembly of the defective Goods or any other costs associated with the defective Goods. The Buyer is entitled to charge such damage, and the Seller is obliged to compensate the Buyer for the damage within 30 days from the delivery of the bill to the Seller.

## **PAYMENT TERMS**

32. The Buyer shall pay the Purchase Price specified in the Contract to the Seller, including all costs associated with the Goods, including packaging, transportation, etc. The Purchase Price shall be increased by value-added tax at the rate determined by Czech Act No. 235/2004 Coll., on Value-Added Tax (hereinafter referred to as the "VAT Act"), as amended. The Purchase Price shall be paid to the Seller by bank transfer on the basis of an original tax document – invoice (hereinafter referred to as the "Invoice"). The Invoice shall be delivered to the Buyer and must particularly contain:
  - Buyer's Contract number;
  - The scope (quantity) and subject matter of the Contract, identified as "SKP";
  - The contractual price per quantity unit and the total price in the agreed currency;
  - The account number including the code of the bank into which the payment is to be made;
  - The maturity period of the Invoice, which shall commence on the date on which the Invoice is delivered to the Buyer;
  - Requirements of a tax document under the VAT Act.
33. Invoices shall be accompanied by a document proving due delivery of the Goods (Delivery Note or Goods Handover and Acceptance Report).
34. The Buyer reserves the right to return the Invoice to the Seller for correction or completion if it does not contain the details agreed upon or stipulated by law, or does not contain the accompanying document specified above. In such cases, the agreed maturity period shall commence on the date on which the corrected Invoice is delivered to the Buyer.

35. The Buyer shall pay the Purchase Price by transfer order to the account number specified in the Seller's Invoice, and the obligation to pay the Purchase Price shall be treated as fulfilled on the date on which the amount is debited from the Buyer's bank account and credited to the Seller's bank account specified in the Invoice.
36. If a period for the payment of the Purchase Price is not expressly agreed in the Contract, the Buyer shall pay the Purchase Price within 90 days of the delivery of the proper Invoice by the Seller.
37. The Seller shall become entitled to the payment of the agreed Purchase Price once the Seller fulfils the obligation to hand over the Goods to the Buyer.
38. Should the Parties be delayed with the payment of any financial obligations within the maturity period, the amount of default interest shall be 0.02% of the due amount for each day of the delay.
39. If the Buyer pays the principal first, the costs and interest shall not accrue interest (Section 1932 (2) of the Czech Civil Code).
40. If the tax administrator decides, in accordance with Section 106a of the VAT Act, that the Seller is an "Unreliable Taxpayer", the Seller shall notify the Buyer of this fact without delay in writing, no later than 48 hours after this decision takes effect. The written notice shall contain in particular the date on which the decision of the tax administrator took effect, and the name and number of the bank account of the competent tax office, including the variable symbol. If a decision is issued identifying the Seller as an unreliable payer according to Section 106a of the VAT Act, or if the Invoice requires a payment to be made into a bank account which the Seller has not specified in the list maintained by the tax administrator, the Buyer shall be entitled, according to Section 109a of the VAT Act (Special Means of Securing the Tax), to pay the VAT amount specified in the Invoice to the account of the competent tax administrator.
41. The Seller is not entitled to set off unilaterally any of their claims against the Buyer.
42. The Seller shall be entitled to pledge any claims against the Buyer for the benefit of a third party, to transfer rights or liabilities as a security, or to assign the claims, only on the basis of a prior written agreement between the Parties, or on the basis of the prior express written consent of the Buyer.

## **PROTECTION OF INDUSTRIAL AND INTELLECTUAL PROPERTY RIGHTS**

43. Any technical documentation (drawings, technical documents, calculations, procedures, manuals, etc.) which the Buyer provides to the Seller as supporting materials for the manufacture of the Goods (hereinafter referred to as the "Technical Documentation") is the exclusive intellectual property of the Buyer. The exclusive intellectual property of the Buyer shall include all technical solutions and other solutions and procedures which are recorded in the Technical Documentation and which are marked as such.
44. Without the express written consent of the Buyer, the Seller shall not be entitled to publish or disclose the Technical Documentation to any third party, nor to use it for their own benefit or the benefit of any third party. The Seller is only entitled to use the Technical Documentation in connection with the manufacture of the Goods. This obligation does not apply to administrative or other public bodies or authorities if they carry out inspections or other supervision regulated by applicable legal regulations.
45. If the subject matter to be supplied under the Contract is a tangible result of activities (hereinafter referred to as the "Tangible Result") which is protected by an industrial or other intellectual property right, by signing the Contract, the Seller grants the Buyer a free licence to use the Tangible Result, including the right to use it for other purposes than those stated in the Contract. The licence shall cover the Buyer's right to use the Tangible Result without limitation with respect to time and place, and the right to grant a sub-licence to a third party.

## **CONTRACTUAL PENALTIES**

46. Should the Seller be delayed with the delivery of the Goods to the Buyer within the period agreed

in the Contract, the Buyer shall be entitled to charge the Seller, and the Seller shall be obliged to pay the Buyer, a contractual penalty equal to 0.5% of the total Purchase Price of the Goods (excl. VAT) for each day of the delay.

47. For every detected and reported defect in the Goods, including errors in documents required for the use of the Goods, which the Seller fails to remove within a period determined by the Buyer, the Buyer shall be entitled to charge the Seller, and the Seller shall be obliged to pay the Buyer, a contractual penalty equal to 0.5% of the Purchase Price (excl. VAT) for each individual defect and each day of the delay in removing the defect.
48. If the Seller prepares incorrect or incomplete documents that are required for acceptance of the Goods, the Buyer shall be entitled to demand a contractual penalty from the Seller equal to CZK 5,000 for each incomplete or incorrect document.
49. If the duty to provide notification stated in paragraph 40 of these Conditions is not fulfilled, the Buyer shall be entitled to charge the Seller a contractual penalty equal to 20% of the Purchase Price.
50. The contractual penalty for a breach of the Seller's obligations stated in paragraph 43 of these Conditions shall be 20% of the claim that would have been the subject of the breach of the determined obligation.
51. The Buyer's right to compensation for damages shall not be affected by the payment or charging of a contractual penalty. The Buyer is entitled to exercise these rights separately in parallel without regard to any claim for or payment of a contractual penalty by the Seller.
52. Any invoiced contractual penalties and claims for compensation for damages shall be due within 30 days of delivery of the relevant invoice or other payment request to the other Party.

### **WITHDRAWAL FROM THE CONTRACT**

53. Either Party shall be entitled to withdraw from the Contract in the event of a substantial breach of the Contract by the other Party. The notice of withdrawal from the Contract must be made in writing.
54. A substantial breach of the Contract by the Seller primarily means a breach of the obligation to hand over the Goods to the Buyer properly and in a timely manner, and a delay with the removal of a defect in the Goods.
55. The Buyer is entitled to keep a part of the Goods which is delivered before the withdrawal from the Contract. The Buyer shall notify the Seller in writing of the Goods which will be kept by the Buyer within no more than five (5) days of the delivery of the notice of withdrawal by the Seller or the Buyer. The Seller shall be entitled to a proportionate amount of the Purchase Price for the Goods kept by the Buyer. The Seller undertakes to take back other delivered Goods from the Buyer at the Seller's expense if the withdrawal from the Contract occurred due to a breach of obligations by the Seller.
56. Upon withdrawal from the Contract, all rights and obligations of the Parties shall expire, with the exception of contractual penalties, default interest, compensation for damages, rights arising from defects, rights arising from a security, and arrangements that, due to their nature, are to be binding even after the withdrawal from the Contract (e.g., the confidentiality obligation, industrial and intellectual property rights, etc.).

### **FINAL PROVISIONS**

57. The legal negotiations between the Buyer and the Seller shall take place exclusively in writing. No other forms of expression of will shall establish any obligation for the Parties and shall not be construed in contravention of the provisions of the Contract or its Amendments.
58. The Seller and the Buyer declare that they shall not infer any rights and obligations from the current or future practice established between them, from generally observed customs, or from the

industry of the delivered Goods, above and beyond what is laid down in the concluded Contract and these Conditions.

59. No obligation under the Contract or these Conditions is a fixed obligation, unless otherwise stipulated in the Contract.
60. The rights and obligations of the Parties, as well as the legal relations resulting from or arising out of the Contract shall be governed by the concluded Contract, these Conditions, the Civil Code (Act No. 89/2012 Coll., as amended), and other generally binding legal regulations of the Czech Republic.
61. All disputes arising out of or in connection with the Contract shall be settled by mutual agreement between the Parties. If the Parties fail to resolve any such disputes amicably, the competent court of first instance for resolution of disputes shall be the ordinary court having local jurisdiction over the Buyer's registered office.
62. The Seller is obliged to implement and maintain a quality management system to a minimum extent of EN ISO 9001: 2015.
63. The Seller is obliged to guarantee the use of approved resources, especially in the case of specific processes.
64. The Seller is obliged to keep the product documentation for 10 years. After this period, the Seller is obliged to invite the Buyer to decide on the particulars of further handling of the documents.
65. The Buyer must be informed by the Seller of any use of a non-conforming process, product or service and prevent the use of counterfeit products. In addition, the Buyer must be informed of any changes relating to the supplied processes, products, and services.
66. The Buyer reserves the right to enter the Seller's plant and inspect the relevant documentation for its own control bodies and for the control bodies of customers, as well as for national and supranational regulators.
67. Should any provision of these Conditions or a specific Contract prove to be or become invalid or ineffective, or be not taken into account according to law, this shall not affect the validity, effect, or legal soundness of the remaining provisions. In such cases, the Parties shall immediately conclude an Amendment, whose contents shall replace the invalid or ineffective provision with a provision that is as close as possible to the meaning and purpose of the original provision.

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These Purchase Terms and Conditions are valid and effective from 15 March 2018