



**General Commercial Terms & Conditions for Supply of Goods & Services by
Company Otavské strojírny a.s.
(Further as "General Terms", or Abbreviated as "GT")**

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1. General Terms – Validity

1.1 Purpose, Scope

These General Terms regulate the conditions of purchase of Goods by the Company Otavské strojírny a.s. (further as „OTS“) as the "Buyer". The name OTS covers the Company inclusive its production plants in Horažďovice and Sušice.

1.2 Integral Part of Purchase Contract

These General Terms form an integral part of any of OTS's Purchase Contract.

1.3 Obligatory Nature

By entering into a Purchase Contract the Seller has automatically accepted and agreed with all the entitlements and obligations contained in the General Terms, and / or arising from those.

1.4 Purchase Contract Priority

In case that the Purchase Contract varies from the General Terms, the agreed points contained in the Purchase Contract have priority over the relevant points stated in the General Terms.

1.5 Seller's Commercial Terms

Seller's Commercial Terms, which were not expressly approved by the Buyer as a part of the contractual documentation, and / or are to the contrary and / or differ from these General Terms or the Purchase Contract, are considered invalid, except when their acceptance is confirmed by OTS in writing.

1.6 Obligatory Nature of the General Terms for OTS:

When these General Terms are presented by whichever production plant of OTS to, and approved by the Seller, these are then considered applicable and obligatory also for the other production plant of OTS, as stipulated in the Article 1.1.

1.7 Governing Law

The points not stated in the Purchase Contract and / or in these General Terms are governed by the Law of the Czech Republic, namely by the Commercial Code, Law No. 513/1991 Sb., the latest interpretation.

2. Definitions of Some Terms

2.1 Official Receipt of Goods

The Official Receipt of Goods is defined as the point, when the Buyer has checked the quantity of the delivered Goods and signed an appropriate Seller's Delivery Docket.

2.2 INCOTERMS 2010.

If the Purchase Contract refers to the INCOTERMS 2010, it is understood to be a reference to the International Commercial Code interpretation of the Supplements to the INCOTERMS 2010, published by the International Chamber of Commerce in Paris.

2.3 Purchase Contract

The Purchase Contract is considered concluded as per the Article 3. of these General Terms. If not stipulated otherwise, the Purchase Contract concluded under these General Terms is also understood as a possible Frame Purchase Contract, on the basis of which will a Purchase Contract, in accordance with procedure as per the Article 3., concluded.

2.4 Buyer

These General Terms define as the Buyer the appropriate production plant of OTS, and as such, as stipulated in the concrete Purchase Contract and in the Article 3.1 of these General Terms.

2.5 Commercial Code

The Commercial Code, under these General Terms, is understood the Law No. 513/1991 Sb., of the Commercial Code, the latest interpretation.

2.6 Seller

The Seller is defined, under these General Terms and as per the Para. 409 and following of the Commercial Code, the supplier, irrespectively whether the Seller is described in the Purchase Contract as "Seller", "Supplier", or otherwise.

2.7 Proper Delivery

Proper Delivery under these General Terms is understood an appropriate performing of Seller's commitment to deliver the Goods to the Buyer and transfer the ownership right of the Goods onto the Buyer. The Proper Delivery is considered performed after fulfilment of all the conditions stipulated in the Article 8.1 of these General Terms.

2.8 Contract Parties, Contract Party

Both, the Seller and the Buyer, are described as Contract Parties, or individually as a Contract Party.

2.9 Sub-supplier

Sub-supplier, under these General Terms, is understood a third party, which supplies parts or whole of the Goods to the Seller for the purpose of performing the Purchase Contract.

2.10 Term of Performing of Contract

Term of Performing of the Contract is understood in these General Terms the stipulated period for the purpose of the proper delivery of the Goods.

2.11 Goods

Goods are understood, in these General Terms, the products and / or their parts, which are under the Purchase Contract to be delivered by the Seller to the Buyer, and the ownership rights of which are to be transferred onto the Buyer. The Buyer is obliged to receive the supplied Goods, accept the ownership rights, and pay the purchase price irrespectively, whether the Goods is described as "Goods", "Spare Parts", etc.

In case that the Goods is not described in the Purchase Contract clearly and a doubt regarding which types of the Goods have been ordered could arise, the Seller is obliged to inform the Buyer of such unclear situation in writing immediately via a certified postal service, fax or electronic mail, or alternatively by personal delivery, and postpone the delivery of the Goods until such doubts have been cleared.

3. Conclusion of Purchase Contract

3.1 Conclusion of Purchase Contract

The Buyer's written Purchase Order is considered as a proposal for a Purchase Contract. The Purchase Order must be done in writing and delivered to the Seller via a certified postal service, fax or electronic mail, or alternatively by personal delivery. The Purchase Contract is considered concluded after it is delivered to the Seller and if this is not returned to the Buyer within 3 days from the delivery date.

3.2 Seller's New Proposal

The order acceptance confirmation containing supplements, objections, restrictions and / or other changes is considered as an order rejection, and it is classified as a new proposal from the Seller for the purpose of concluding a new Purchase Contract. In such case the Purchase Contract is concluded only after the acceptance of this proposal is confirmed by the Buyer in writing, and such confirmation is delivered back to the Seller by methods described in the abovementioned Article 3.1 of these General Terms.

3.3 Period for Acceptance or Rejection of Order

The Seller is obliged to confirm in writing the delivered Purchase Order within the period of 3 working days from its receipt and return it to the Buyer, or inform the Buyer within the same period of his rejection of the order. Order confirmation or rejection must be done in writing and delivered to the Buyer via a certified postal service, fax or electronic mail, or alternatively by personal delivery. Until the written confirmed order has not been sent by the Seller to the Buyer, or rejected by the Seller, the Buyer has the right to cancel the order by a written notice, or verbal communication or by data transfer.

4. Quantity, Class, Workmanship & Packaging of Goods

4.1 Quantity

The Seller is obliged to supply the Goods in quantity stipulated in the Purchase Contract. If the Purchase Contract determines the quantity in units of measurement with an approximation, the Buyer has the right to determine the precise required quantity with a maximum delivery tolerance of +/-10 % of the quantity stipulated in the Purchase Contract. In case that this is not done, the total maximum delivery tolerance will be +/-5 % of the quantity stipulated in the Purchase Order.

4.2 Class, Quality & Workmanship

The Goods must be supplied to the Buyer in the class, design and workmanship as stipulated in the Purchase Contract. In case that the class, design and workmanship are not expressly stipulated in the Purchase Contract, the Seller is obliged to supply the Goods to the Buyer in the class and workmanship fully fit for the purpose for which such Goods is supplied, and if such purpose is not agreed upon, for the purpose for which such Goods is usually used. The Goods must be in full compliance with the technical requirements and technical and work safety standards applicable to this concerned kind of Goods, as so to both, standards mandatory and recommended. The Goods and components used for its manufacture must be new, unused, undamaged and produced from the quality materials. If the Goods is supplied on the basis of samples, designs and / or drawings, it must be in full compliance with such samples and / or drawings. The Goods must be capable of functioning constantly under standard load in compliance with the characteristics and quality stipulated in the Purchase Contract, and be fully suitable for the purpose for which it is supplied. The Goods must not be subject to legal faults, e.g. a pawn / mortgage right. Prior to the delivery the Goods must not have been accounted for in the appropriate accounts of the account O2 group – long-term tangible depreciated assets, only regular stock type is acceptable. The Seller is obliged to inform the Buyer of the country of origin of the Goods the latest by the date of proper delivery. In case that the countries of origin of the Goods and the ones of the origin of the components and / or material used for the manufacture and / or assembly of the Goods are different, the Seller is obliged to provide all the details. For used components and / or materials is sufficient to provide such information just for the main key components and / or materials. In case of breach of this information obligation, or in case that the provided information is incorrect and / or false, the Seller is obliged to pay to the Buyer a contractual penalty of CZK 10.000,-. The payment of such penalty has no implication whatsoever on the right of claiming the damage. The Buyer has full right to pursue each of the claims independently and / or in parallel and the agreement on the contractual penalty has no implication on the damage, its pursuit, level and right for reimbursement.

4.3 Compliance with Legal Regulations

The Seller hereby declares that no legal regulations have been breached during the production; e.g. governing the manufacture, usage and handling of toxic materials, and that the Goods is in full compliance with all the relevant requirements prescribed by such legal regulations. In case that such Seller's abovementioned declaration is found false, the Seller has full responsibility for the damages caused to the Buyer arising from such breach of the legal regulations.

4.4 Special Tools & Equipment

If special tools and / or equipment are required for standard or special maintenance and / or repairs of the Goods, the Seller is obliged to advise the Buyer of such requirements in writing prior to the conclusion of the Purchase Contract, inclusive providing information regarding availability and usual costs of obtaining such tool and equipment.

4.5 Packaging, Securing & Protection of Goods

For the purpose of transportation of the Goods the Seller is obliged to arrange proper packaging, securing and / or otherwise ensure safe transportation of the Goods, as expressly stipulated in the Purchase Contract at his own costs. In case that method of packaging and securing is not expressly stipulated in the Purchase Contract, the Seller must make all necessary arrangements in order to prevent any damage and / or destruction of the Goods during loading, transport or unloading. Regarding the required packaging and securing of the Goods, the Seller is obliged to follow Buyer's instructions. The Seller is obliged to inform the Buyer, in case that his instructions are not suitable. In case that the Seller did not inform the Buyer that his instructions are not suitable, then the Seller is also responsible for the possible damage caused by utilizing the Buyer's unsuitable instructions. The Seller agrees that all the costs of the packaging, securing and





protection of the Goods as per this stipulation are already included in the purchase price stated in the Purchase Contract.

4.6 Main Features of Packaging

The packaging must ensure safe storage of the Goods avoiding any loss of quality. It must bear a shipping mark placed on an easily visible place and containing such information as Seller's and Buyer's details, Order Number, ID Number, quantity and type of the Goods as per the designation and grouping stated in the Purchase Contract, and instructions regarding safe handling of the Goods, i.e., mainly handling marks applicable for the transport packaging, and the markings as per the legal requirements covering manufacture, usage and further handling of the Goods, e.g. legal regulations concerning dangerous and toxic chemicals. The packaging material must be environmentally friendly. Further on, the package must display information regarding gross weight, overall dimensions in a form of a tablet, painted writings or other easily visible and readable method. Exception are the Goods packaged in such packages (e.g. bags), which, by their nature, provide no risk of injury to the Buyer's employees and / or which have gross weight no greater than 5 KG. The Goods shipped without such markings will be considered as non-compliant and faulty.

5. Goods Documentation

5.1 Goods Documentation

The Seller must provide the Buyer together with the shipped Goods all documents which are expressly stipulated in the Purchase Contract. If such documents are not expressly mentioned in the Purchase Contract, the Seller is obliged to provide the Buyer with all the documents necessary for receiving, free handling, customs clearance and usage of the Goods, namely the technical documentation covering installation, running and maintenance of the Goods.

5.2 Certificates

Upon Buyer's request the Seller will provide the Buyer with certificates stipulated in the Purchase Contract and / or required for the Goods by the legal regulations. These certificates will be provided in the latest currently valid form. The certificates as per this stipulation mean the Declaration of Compliance, namely the certificate EN 10204 – 3.1 applicable for supplied materials and Goods. (Refer to the Purchase Order Form).

5.3 Co-operation Regarding Documents Procurement

The Seller is obliged to provide to the Buyer upon his request all necessary help and assistance for the purpose of procurement of the required documents and / or relevant electronic messages issued in the Czech Republic and / or in the country of origin, which the Buyer may need in relation to the export or import of the Goods, and if required, also for the purpose of transportation via a third country.

5.4 Form, Some Essential Properties of Documents

The documents, which are to be supplied by the Seller to the Buyer as per the Purchase Contract must be fully legible in all parts, easily understandable and must contain no errors. They must be supplied in written printed form; electronic version is not acceptable. Based on Buyer's request the Seller is obliged to provide also an electronic version, which, however, must be in freely available data format. The Seller is obliged to supply the documents relating to the Goods in the languages nominated by the Buyer. All costs related to the issuing of the documents in the required number, inclusive of all the amendments, additions, supply of replacement documents and supply of documents in the electronic format are to be borne by the Seller. When delivered to the Buyer, these documents become his property and he has the full right to use these freely as needed.

5.5 Reimbursement of Costs

All the costs, such as customs clearance, storage and other fees incurred by the Buyer and resulting from the delayed supply of the appropriate documents by the Seller to the Buyer, will be passed over onto the Seller, and the Seller hereby expressly professes that he will bear those. In case that these costs have been paid by the Buyer, the Seller professes to reimburse the Buyer for all these costs.

6. Place of Delivery of Goods

6.1 Place of Delivery

If not stipulated in the Purchase Contract otherwise, or if other place of delivery is not advised by the Buyer prior to the delivery, the Seller is obliged to deliver the Goods at his costs and risk to the Buyer's premises on either of the following addresses:

- Production Plant Horažďovice :
Strakonická 365
341 01 Horažďovice,
- Production Plant Sušice
U Kapličky 303
342 01 Sušice

6.2 Delivery Supplement

Delivery point is stipulated on the basis DDP delivery place in accordance with INCOTERMS 2010. In case that both Contract Parties have agreed on a different delivery supplement and if the Purchase Contract does not state otherwise, the terms stated in the Articles 8. and 9. of these General Terms apply.

7. Delivery Date

7.1 Delivery Date

The delivery date is stipulated in the Purchase Contract. If the delivery date is not stated in the Purchase Contract, the Seller is obliged to deliver the Goods within 10 days from the date of conclusion of the Purchase Contract.

7.2 Deliveries during Work Days & Working Time

If the delivery place is Buyer's premises or production plants, the Seller is obliged to arrange the deliveries of the Goods during the work days and usual working times, i.e. between 6:00 a.m. and 2:00 p.m., unless advised by the Buyer otherwise. The deliveries after 2:00 p.m. may be possible only after prior telephonic arrangement with the Seller's Warehouse Manager. A request for such delivery after 2:00 p.m. can only be addressed during any work day the latest by 1:30 p.m.

7.3 Notification of Goods Delivery Date

The Seller is obliged to notify the Buyer in writing at least 7 days prior to the delivery date and place and availability of the Goods there. In order to avoid any doubts, both Contract

Parties expressly declare that the statement as per the previous sentence does not have any impact on the agreed delivery date. If the Buyer notifies the Seller in writing within 5 days prior to the delivery date, as per the Article 7.1 of these General Terms, via a certified postal service, fax or electronic mail, or alternatively by personal delivery, that the delivery shall be postponed, he is entitled to postpone the agreed delivery date agreed in the Purchase Contract or under the Article 7.1 of these General Terms, however, to the maximum of 60 days.

8. Proper Delivery of Goods

8.1 Proper & Timely Delivery

The Seller is obliged to deliver the Goods to the Buyer properly and in time. The Goods is considered delivered in time, when it is delivered by the agreed delivery date. The Goods is considered properly delivered from the moment of fulfilling all the following conditions:

- Goods is properly delivered by the Seller to the place of delivery,
- All complete and error-free documents relevant to the Goods are supplied with it,
- Goods is officially received by the Buyer,
- Goods is supplied to the Buyer free of any faults. Goods containing apparent faults can be accepted only in the case, when the faults are listed by the Buyer in a Fault Record Document appended to the Packing List and declaring expressly that the Buyer has accepted the Goods despite of these faults. In such case the Buyer is obliged to specify the faults in detail and identify the packages concerned. The acceptance of the Goods, however, has no implication on the fact that the Goods contain faults and the Buyer's entitlements are not affected in any way.

8.2 Contractual Penalty

In case that the Seller breaches his obligation to supply the Goods to the Seller in time and / or properly, the Buyer is entitled to charge to the Seller a contractual penalty at the level of 0.5 % of the purchase price per each day of delay past the originally stipulated delivery date. Payment due date of the contractual penalty is 14 days from the delivery of Buyer's notification. The payment of such penalty has no implication on Buyer's entitlement to claim the damages. The Buyer is entitled to pursue each of the claims independently and / or in parallel, and the agreement on the contractual penalty has no implication on the damage itself, its pursuit, level and entitlement for reimbursement.

8.3 Record of Faults of Delivered Goods

If the Buyer finds any apparent faults on the delivered Goods and does not declare in accordance with the Article 8.1, Section d) of these General Terms that he accepts the Goods containing these faults, he will register these in a Claim Form (Form F14), which has to contain information regarding the Goods delivery, description of found faults, details of the person who has discovered the faults, date of finding and the signature of the person, which is authorized to handle this issue on behalf of the Buyer.

8.4 Seller's Rights When Received Faulty Goods

If the delivered Goods contain any apparent faults, the Buyer is entitled to:

- Request the Seller's to inspect the Goods at a place and time nominated by the Buyer,
 - Reject the faulty Goods and return it to the Seller at Seller's costs, whilst this return does not imply that the Buyer delayed the acceptance of the Goods, or
 - Accept the faulty Goods under a provision that the Buyer is entitled to a discount off the purchase price; or
 - Accept the faulty Goods under a provision that the Buyer is entitled to the remedy of these faults at no costs to him.
- The Buyer is entitled to pursue one, or more or all the claims stipulated in this Article, providing that these are realizable by the nature of the matter.

9. Danger of Damage to Goods, Transfer of Ownership of Goods

9.1 Danger of Damage to Goods

Danger of the possible damage to the Goods is transferred onto the Buyer at the point of proper delivery and acceptance of the Goods by the Buyer.

9.2 Danger of Damage to Buyer's Effects

Danger of damage to happen to all the effects and / or materials supplied by the Buyer to the Seller for the processing, e.g. samples, cuttings, punches, drawings, moulds, tools, etc., owned by the Buyer, and for the purpose of performing the Purchase Contract, and / or which were especially ordered, is borne by the Seller from the time, when these were received by the Seller and until returned back to the Buyer. The Seller hereby further professes that these effects and / or materials as per the previous sentence will be used solely for the purpose of supplying the Goods to the Buyer as per the Purchase Contract, and expressly states and professes that he will not use these for any other purpose, and will also ensure that these will not be used by third party without prior written consent of the Buyer. The Seller is obliged to arrange proper markings of these effects clearly stating that they are in the ownership of the Buyer, and store them properly and separately from other effects and / or materials. The Seller is obliged to reimburse the Buyer for any damages arising from the failure to comply with this obligation, irrespectively whether this duty was breached by him or a third party.

9.3 Acquiring of Ownership Rights

The ownership rights of the Goods supplied by the Seller to the Buyer under the Purchase Contract and these General Terms is acquired by the Buyer at the time of transfer of the danger of damage onto the Buyer.

10. Purchase Contract Changes

10.1 Purchase Contract Changes

The Buyer is entitled at any point of time to propose in writing to the Seller a change of the Purchase Contract, namely regarding the change of quantity and class of the Goods, place of delivery, delivery dates, packaging requirements, etc. The Seller is obliged within 3 working days from the receipt of such written proposal to:

- Confirm in writing the proposed change of the Purchase Contract and return this to the Buyer; or
- Inform the Buyer of his objective reasons preventing him from accepting such change of the Purchase Contract.

10.2 Contractual Penalty

In case that the Seller breaches his obligation stipulated in the Article 10.1 of these General Terms in time and / or properly, the Buyer is entitled to charge to the Seller a contractual penalty at the level of 0.1 % of the purchase price stipulated in the original Purchase Contract per each day of delay. Payment due date of the contractual penalty is 14 days





from the delivery of Buyer's notification to the Seller. The payment of such penalty has no implication on the entitlement to claim the damages in the level of exceeding the contractual penalty.

10.3 Transferability of Entitlements and / or Obligations

The Buyer is entitled to transfer his entitlements and / or obligations stipulated in the Purchase Contract onto a third party and is obliged to notify the Seller accordingly in writing. In such case the Seller confirms his consent and professes that he will respect and perform his obligations also against the legal successor stated in the notification in the first sentence of this Article and at the time, as stipulated in the Purchase Contract, will also draw all his claims arising from the transferred Purchase Contract against him. The transfer of entitlements and obligations becomes effective at the time of delivery of such notification to the Seller.

11. Warranty

11.1 Warranty Covering Supplied Goods

The Seller will provide to the Buyer, and at the same time to any other party that will acquire the right of ownership or any other rights related to the Goods, a manufacturer's warranty for the Goods, or any products which are part of the Goods. The Seller professes that the Goods supplied per the Purchase Contract will for the duration of the warranty period remain usable for the purpose stipulated in the Purchase Contract, or otherwise for the usual purpose, and that the Goods will retain all its characteristics defined by the Purchase Contract. If some of the characteristics are not defined by the Purchase Contract, the Seller's warranty professes that the Goods will retain the usual characteristics.

11.2 Warranty Period & Commencement

The warranty period is determined by the Purchase Contract. In case that the Warranty period is not expressly determined by the Purchase Contract, it is determined as 36 months from the date of proper delivery. This warranty period is automatically extended by a period from the date of proper delivery until the day, when a warranty covering Buyer's product, for which the Seller's products were used, comes into effect.

11.3 Determination of Warranty Period

The warranty period does not run during the time, in which the Buyer or other parties mentioned in Article 11.1 of these General Terms cannot use the supplied Goods due to its faults, for which the Seller is responsible.

12. Responsibility for Faults of Goods

12.1 Some Factual Faults

The Goods is considered to contain faults when it is not properly packaged and secured for the transportation, and / or when it is not of quantity, class or workmanship stipulated in the Purchase Contract or in these General Terms.

12.2 Faults in Documentation, Claims

The Goods is also considered to contain faults, when the documentation supplied by the Seller with the Goods as per the requirements of the Purchase Contract and / or these General Terms and / or legal regulations contain faults. In such case the Buyer is entitled to return the Goods to the Seller at Seller's costs and / or request the Seller to supply fault-free documents. The Seller is obliged in due course, but the latest within 2 working days from the return of the faulty documents, to provide complete and fault-free ones.

12.3 Legal Faults

The Goods is considered to contain legal faults, when it is subject to any pending right of a third party, except when this fact has been accepted and confirmed by the Buyer in writing.

12.4 Responsibility for Faults

The Seller is responsible for all the faults, which will appear on the Goods for the whole warranty period, irrespectively of when these faults have appeared. The Buyer is entitled to advise the Seller of these faults at any point of time during the warranty period. The Contract Parties hereby expressly declare that the Buyer has no obligation to inspect the Goods immediately after its receipt. In order to avoid any doubts both parties have expressly excluded application of Para. 424, Para. 427, and Para. 428 of the Commercial Code.

12.5 Record of Faults on Supplied Goods

If the Buyer discovers any faults on the supplied Goods, and if not stipulated in the Purchase Contract or these General Terms otherwise, he will produce a record of faults document, which will contain identification information of the shipment, details of person who discovered the faults, date of discovery and evaluation of the nature of the fault. The Buyer will sign this record and send it to the Seller in due course together with a request for a proposal regarding rectification of the fault and correction of the situation.

12.6 Form & Delivery of Record of Faults

Record of Faults can be sent to the Seller in written form via a licensed postal service, electronically or by fax, or alternatively also by personal delivery. Receipt of electronic or fax version must be confirmed immediately by the Seller. If it is not proved to the contrary, it is understood that such record of faults, with exception of electronic or fax versions, was delivered to the Seller 2nd day after despatch, whilst it is not considered essential, whether it was received by the Seller or not. If it is not proved to the contrary, it is understood that such record of faults in an electronic or fax version, was delivered to the Seller at the point time of despatch.

12.7 Seller's Duties, Fault Remedy Proposal

The Seller is obliged to, and hereby declares, that within the period stipulated in the Purchase Contract, or otherwise within 24 hours from the receipt of the record of faults as per the Articles 12.5 and 12.6 of these General Terms and in accordance with Buyer's instructions will fulfil his obligation to:

- Come to the place of delivery or place nominated by the Buyer for the purpose of checking the Goods and further investigation of the faults advised to him by the Buyer in the record of faults, and within this period propose to the Buyer a method of remedying the faults, or
- Propose to the Buyer a concrete process, how these faults will be remedied, employing maximum effort and care, whilst taking into account technological schedules, inclusive planned terms of realization of the proposed corrective actions – at Seller's costs.

12.8 Selection of Claim of Responsibility for Faults, Determination of Method & Deadline for Fault Remedy

The selection of the method of claiming of the responsibility for the faults, as well as the selection of the method of the remedy of the discovered faults is solely at Buyer's choice, and he is not bound by Seller's proposals. The Buyer is obliged to notify the Seller in writing within 48 hours from the Seller's advice as per the Article 12.7 of these General Terms, that he:

- Agrees with the method of remedy of the faults of the Goods as proposed by the Seller and will determine a deadline for the remedy, or
- Disagrees with the method of remedy of the faults of the Goods as proposed by the Seller and will determine a the method and deadline for the remedy, or
- Is pursuing other way of claim of responsibility for the faults on the Goods then the remedy of the faults as per Article 12.9 of these General Terms.

In case that the Seller will fall behind with his duty of providing the notification as stipulated in the Article 12.7. of these General Terms, the Buyer is entitled to choose to pursue a claim of responsibility for the faults and / or a method of remedy of the faults and deadline for the remedy of the faults within a period of 24 hours from the day, when the deadline for the advice as per the Article 12.7 of these General Terms passed in vain. The method and deadline for the remedy of the fault stipulated by the Buyer under Sections a), b) and as well as the selection of the claim of responsibility for faults under Section c) are for the Seller binding.

12.9 Claims of Responsibility for Faults

The Buyer is, irrespectively of the nature of the fault and seriousness of the breach of the Purchase Contract due to the fault, always entitled to:

- Demand the remedy of the faults by supplying replacement Goods in lieu of the faulty Goods, supplying missing Goods and remedy of legal faults,
- Demand the remedy of the faults by repairing the Goods, providing that these are repairable,
- Demand an appropriate discount off the purchase prices,
- Discharge the Purchase Contract,
- Check personally or via another party the Goods at Seller's costs, carry out all actions necessary for the determination of the faults, sort out and / or repair the faults or arrange a replacement delivery. The Seller professes hereby to reimburse the Buyer for all the incurred costs. In this case the Buyer is obliged to document all these costs properly, so that these faults are quite apparent (photographic, video documentation, etc.), whilst the selection of methods of documenting is solely at the Buyer's choice.

Irrespectively of the selected method of claim, the Buyer is entitled to charge to the Seller a lump sum penalty of CZK 1 000.- for the pursuit of any claim of responsibility for the faults. This has no implication on Seller's entitlement to claim reimbursement of all other costs that had arisen to the Buyer due to the faults (costs of fault diagnostics, travel expenses, loss of income, etc.), as well as other possible damages. The Buyer is entitled to pursue each and all the claims independently and / or in parallel, and the agreement on the reimbursements have no further implication on the responsibility for the damage, its pursuit and level, and the entitlement to its refund.

12.10 Additional Selection of Claim of Responsibility for Faults

In case that it would appear at a later stage that the faults cannot be repaired, or such repairs would be unreasonably costly, the Buyer is entitled to request a supply of replacement Goods, as long as he will advise his decision to the Seller in due course after the Seller had informed him of the above fact.

12.11 Non-Remedy of Faults of Goods

As long as the Buyer has pursued the claim of responsibility for the faults per the Article 12.9, Sections a) and b) of these General Terms, and the Seller has not remedied the faults by the method and by the deadline determined by the Buyer, or if the Seller has advised the Buyer before the deadline expiration that he will not remedy the faults, the Buyer is entitled to:

- Discharge the Purchase Contract, or
- Demand any other claim as per the Article 12.9 of these General Terms.

12.12 Non-Payment of Part of Purchase Price until Fault Remedy

Until all the faults found on the Goods are remedied, the Buyer is entitled to withhold payment of any part of the purchase price of the faulty Goods, which has not yet been paid to the Seller.

12.13 Product Design Fault

In case that the subject of the delivery and / or repeated deliveries of the Goods are of the same type, and at least 10 % (or minimum of 2 pieces) of the total quantity of the Goods supplied in all the deliveries show the same fault, such fault is considered as a design fault. Even in such case and even when the warranty period for some Goods has already expired, a claim for such Goods can be pursued. In case that the supplied Goods will show such design fault and the Buyer does not lodge a claim related to the whole delivery or a part of it other than per the Article 12.9 of these General Terms, the Seller is obliged to arrange a whole replacement delivery of the total quantity stated in the Purchase Contract within 14 day period of discovering such design fault. In case that the Seller does not comply with this stipulation, the Buyer is entitled after expiry in vain of the period nominated by the Buyer for the delivery of the replacement Goods to discharge the Purchase Contract.

12.14 Further Buyer's Requirements

Besides requirements of responsibility for the faults is the Buyer also entitled to claim a contractual penalty at the level determined in the Article 12.15 of these General Terms, as well as a reimbursement of all damages.

12.15 Contractual Penalty

In case that the Seller does not fulfil his obligation arising from the responsibility for the faults of the Goods, the Buyer is entitled to charge to the Seller a contractual penalty at the level of 0.5 % of the purchase price of the faulty Goods per each day of delay past the originally stipulated delivery date. Payment due date of the contractual penalty is 14 days from the delivery of Buyer's notification. The payment of such penalty has no implication on the entitlement to claim the damages. The Buyer has full right to pursue each of the claims independently and the agreement on the contractual penalty has no implication on the damage itself, its pursuit, level or the entitlement for reimbursement.

13. Purchase Price

13.1 Purchase Price Level

The Buyer is obliged to pay to the Seller the purchase price stipulated in the Purchase Contract. This purchase price contains all the costs in relation to the Goods, inclusive costs





of the packaging, transportation, insurance, arrangement of documentation, labelling, import duty, applicable taxes, storage of the Goods, etc. The Seller professes to reduce the purchase contract price by any discount to which the Buyer is entitled based on the Purchase Contract and / or other agreement, even though the Buyer did not notify the Seller to do so and / or did not advise a concrete sum. The Seller is fully responsible for stating the discount level properly.

13.2 Seller's Declaration

The Seller hereby declares that the purchase price stated in the Purchase Contract, or respectively further adjusted by a mutual agreement between the Contract Parties, is within the whole duration of the Purchase Contract in full compliance with the relevant legal regulations covering price formulation in the Czech Republic and in the Seller's country. The Seller declares further that the purchase prices for the supplied Goods under the Purchase Contract are not less favourable than the prices, at which he currently offers the same or similar Goods in similar quantities to his other customers.

13.3 Commencement of Obligation to Pay Purchase Price

Unless stipulated otherwise by the Purchase Contract and / or other agreement between both Contract Parties, Buyer's obligation to pay the purchase price commences at the moment, when he has acquired the ownership right for the Goods.

13.4 Original Invoice

The Buyer will arrange a payment of the purchase price by bank transfer only on the basis of Seller's original Invoice. In accordance with the Commercial Code, Para. 26, Section 4, Regulation No. 235/2004 Sb., governing the Value Added Tax, the Contract Parties have agreed on mutual co-operation in issuing tax documents in electronic format, equipped with the secure verified electronic signature of the issuing party based on the qualified system certificate as per the regulation No. 227/2000 Sb., governing electronic signatures. For the purpose of receiving tax documents in electronic format the Buyer has set up a special e-mail address fakturace@otavstroj.cz to which these documents are to be sent.

Until the Seller delivers his original Invoice to the Buyer, the Buyer has not fallen behind with the payment of the mentioned Invoice. Unless agreed between both parties otherwise, the words "Invoice" and "Tax Invoice" are used as synonyms.

13.5 Invoices – Some Essentials

The Seller is entitled and at the same time obliged to issue his Invoice and only then will then the Buyer's obligation to pay the purchase price will commence. The Invoice must contain all appropriate data typical for a tax and accounting document; namely:

- Order Number,
- Description and specifications of the Goods, inclusive its serial number,
- Quantity,
- Unit price,
- Level of discount to which the Buyer is entitled,
- Total purchase price after the discount.

A document confirming proper delivery of the Goods confirmed by the Buyer must be attached to the Invoice. The Seller is obliged to issue a separate Invoice for each individual Purchase Contract.

13.6 Invoice – Amendment, Addition to Invoice

In case that the Invoice issued by the Seller will not contain all prescribed essentials, or it will contain information to the contrary of the Purchase Contract or these General Terms or will not comply with the conditions stipulated in the Article 13.5 of these General Terms, it will not be paid against by the Buyer and the Buyer will return it to the Seller in due course for an amendment or filling in additional information or correction. This will not put the Buyer into a delayed payment situation.

13.7 Purchase Price Payment Due Date

The payment due date is stipulated by the Purchase Contract. In case that the payment due date is not stipulated by the Purchase Contract, the Buyer is obliged to pay the purchase price within 90 days from the date of issue of a proper Invoice, however, not earlier than within 45 days from the date of its delivery. In case of any amendments of the Invoice, only the issue and delivery dates of the amended proper Invoice are considered applicable final dates.

13.8 Payment Due Date – Interruptions / Postponements

In case that the subject of the Purchase Contract is a number of partial deliveries of the Goods and the Buyer will discover a fault on any of them, the Buyer is not obliged to pay the purchase price for any of those partial deliveries. Counting of the payment due date applicable for all these partial deliveries is then stopped from the date of discovering the fault and will be restarted again, when in compliance with Buyer's selection of method of settlement of the responsibility for faults as per these General Terms:

- The Seller will remedy the faults of the Goods and thus enables its proper usage, or
- The Buyer will deliver to the Seller a notification advising that he has applied a reasonable discount for the faults on the Goods, or
- The Buyer will deliver to the Seller a notification advising that he himself or via another party will repair the faults or will arrange a replacement delivery – at Seller's costs, or
- By delivering a notification of cancellation of part of the order commitment, subject of which is the faulty Goods, to the Seller.

13.9 Payment of Purchase Price

The actual payment date in case of bank transfer is the date, at which the payment amount is deducted by the bank from the Buyer's bank account.

13.10 Offsetting of Outstanding Debts

The Buyer is entitled to unilaterally offset all and any of his own outstanding debts and / or ones acquired by transfers, payable, non-payable, lapsed or non-lapsed against the Seller's outstanding debts to the Buyer. The Seller is not entitled to carry out unilateral offsetting against Buyer's outstanding debts under the Purchase Contract or these General Terms and / or in conjunction with them.

13.11 Conveyance of Seller's Outstanding Debts

The Seller is entitled to convey Buyer's outstanding debts from the Purchase Contract only after receiving Buyer's written consent.

13.12 Pawning / Mortgaging of Seller's Outstanding Debts

The Seller professes that he will never mortgage his outstanding demands under the Purchase Contract and / or these General Terms against the Buyer to a third party.

13.13 Contractual Penalty

In case that the Seller will offset, convey, pawn or mortgage the outstanding demands against the Buyer under the Purchase Contract and / or these General Terms to the contrary to the Articles 13.10, 13.11 and 13.12 of these General Terms, the Seller is obliged to pay to the Buyer a contractual penalty at the level of 10 % of the offset, conveyed, pawned or mortgaged value of the outstanding demands. The contractual penalty is due to be paid within 14 days from the date of issue of the issue of the confirmation of the delivery of the notification to the Seller. Payment of the contractual penalty has no implication on the reimbursements of the damage. The Buyer has full right to pursue each of the claims independently and in parallel and the agreement on the contractual penalty has no implication on the damage itself, its pursuit, level or the entitlement to the reimbursement.

13.14 Contractual Penalty

In case of Buyer's delay of the payment of the due purchase price, the Buyer is obliged to pay to the Seller against Seller's notification delivered to the Buyer a contractual penalty of 0.02 % of the owed amount per each day of delay or part of, unless the Purchase Contract stipulates otherwise. The written notification must be delivered to the Buyer the latest within 10 days from the payment for the concerned Invoice. The demands delivered at a later date will become irrelevant.

14. Termination of Agreement

14.1 Substantial Breach of Duties

As substantial breach of duties stipulated in the Purchase Contract and / or in these General Terms is considered namely Seller's delays in performing his duties:

- Deliver the Goods to the Seller in time and properly,
- Implied from the responsibility for the faults of Goods.

14.2 Discharge of Contract

Unless stipulated in the Purchase Contract and / or these General Terms otherwise, the Buyer is entitled to discharge the contract when one of the following conditions comes into effect:

- If the Seller breaches in substantial manner duties defined by the Purchase Contract and / or these General Terms,
- If the Seller breaches in insubstantial manner any of the duties defined by the Purchase Contract and / or these General Terms and does not rectify these even during an additional period determined by the Buyer,
- If Force Majeure conditions defined by the Article 21.1 of these General Terms prevent the performing of the duties for a period longer than 6 months,
- Prior to proper delivery of the Goods without stating any reason.

14.3 Discharge of Part of Commitment

If the breach of duties concerns only a part of pending payable commitment, the Buyer may discharge the Purchase Contract in full or only a part of it.

14.4 Form, Implications of Discharge

The discharge must be done in writing and must be delivered to the Seller. If the Buyer does not expressly state that he discharges only a part of the commitment, it is automatically understood that the full Purchase Contract is discharged. Date of discharge is the date of delivery of the discharge notification to the Seller.

14.5 Existing Claims & Agreements

By the discharge the whole Purchase Contract inclusive of these General Terms cease to exist. By the discharge or by termination of the contract some other way, do not cease to exist:

- Claims for reimbursement of damages caused by breach of the contract,
- Claims resulting from the responsibility for the faults of Goods,
- Claims for payments of the contractual penalties resulting from the breaches of the Contract,
- Agreement regarding the warranty and responsibility for the faults of Goods,
- Agreement on the settlement between the Contract Parties in case of the discharge,
- Agreement on retaining secrecy, confidentiality and protection of know-how,
- Agreement regarding governing law and arbitration of disputes,
- Claim for reimbursement of damages as per Para. 469 and 470 of the Commercial Code,
- Other agreements prescribed by the Legal Code.

14.6 Goods after Transfer of Ownership Right

If not stipulated in the Purchase Contract otherwise, the Goods, ownership of which was acquired by the Buyer prior to the discharge of the Purchase Contract:

- Remains after discharge of the Purchase Contract in the ownership of the Buyer. In such case the Seller is entitled to a replacement payment up to the level, to which the Buyer had a gain from the Goods. If the purchase price for this Goods has already been paid, the Seller is obliged to reimburse the Buyer the difference between the purchase price and replacement financial remuneration, as per the previous sentence. If the purchase price for this Goods was not paid prior to the discharge of the Purchase Contract, the Buyer is obliged to reimburse the Seller by a replacement payment reduced by possible Buyer's pending claims, e.g. contractual penalty, reimbursement for damages, etc., or
- The Buyer can return the Goods to the Seller after discharge of the Purchase Contract. At the same time, the Seller is obliged to pay the already paid purchase price or its part back to the Buyer.

14.7 Goods Prior to Transfer of Ownership Right

The supplied Goods, ownership of which was not transferred onto the Buyer prior to the discharge of the Purchase Contract, will be returned by the Buyer to the Seller at Seller's costs.

14.8 Discharge of Contract without Advising Reason

In case that the Buyer will discharge the Purchase Contract as per the Article 14.2., Section d) of these General Terms, the Buyer is obliged to reimburse the Seller for the costs reasonably incurred in conjunction with performing of the Purchase Contract, up to maximum level of the purchase price stipulated in the discharged Purchase Contract. The Seller is obliged to deliver to the Buyer a written breakdown of these costs as per the first sentence of this Article together with all supporting documents justifying these costs within





14 days from the day, when the Buyer's notification of the discharge of the contract was delivered to the Seller; otherwise this Seller's claim as per this Article of these General Terms will cease to exist.

14.9 Final Settlement of Contract Parties

In case of Purchase Contract discharge both Contract Parties are obliged to arrive to a mutual settlement by methods and within periods determined by the Buyer. The Buyer is obliged to notify the Seller in writing within 30 days from the day of effect of Purchase Contract discharge, how the mutually pending matters will be settled. In this written notification of settlement the Buyer will:

- Determine the mutual pending claims between the Contract Parties arising by the Purchase Contract discharge and / or pending claims from the Purchase Contract, namely the claims for return of Goods, claims for returns of contract performing as per the Purchase Contract, claims of replacement financial performing, claims of contractual penalties, claims for reimbursement of damages, claims from the responsibility for the Goods, etc.,
- Determine reasonable time schedules for performing mutual duties of the Contract Parties mutual settlement. The methods and time schedules determined by the Buyer are obligatory for both parties. Cost arising from the contract discharge and possible return of delivered performing are at Seller's costs.

15. Know-how

15.1 Buyer's Technical & Other Documentation

All technical and other documentation supplied by the Buyer to the Seller for the purpose of performing of the Purchase Contract, remain exclusive property of the Buyer. This also applies to all technical solutions and procedures shown in and described by the technical documents. The Buyer does not provide to the Seller any licence nor rights to this know-how and / or to the intellectual property.

15.2 Usage of Buyer's Technical & Other Documentation by Seller

As per the Article 15.1 of the General terms, the Seller must not publish and / or make available the supplied technical and other documentation to any third party nor use it for the benefit of any third party. The Seller can use it only for the purpose of producing the Goods for the Buyer under the Purchase Contract. Public administrative and legal bodies and authorities carrying out legal control or other supervision on the basis of appropriate legal regulation are excluded from this stipulation. After this Purchase Contract has been performed and / ceased to exist by any other way, the Seller is obliged to return all this documentation to the Buyer and destroy all copies the Seller may have arranged.

15.3 Additional Technical & Other Documentation

The Seller professes not to publish nor make available to not use it for the benefit of any third party any documentation not mentioned in the Article 15.1. (Namely the documentation produced by the Seller for the purpose of performing this Purchase Contract.), which was co-developed and / or financed and / or co-financed by the Buyer. The Seller is entitled to use this documentation solely for the purpose of performing this Purchase Contract. After this Purchase Contract has been performed and / ceased to exist by any other way, the Seller is obliged to transfer free of charge all this documentation and its ownership onto the Buyer and destroy all the copies, the Seller may have arranged.

15.4 In case that the Seller's does not fulfil his obligation under the Articles 15.1, 15.2 or 15.3 of these General Terms, the Buyer is entitled to charge to the Seller a contractual penalty of CZK 100 000,- for each individual breach of the obligation, and so even repeatedly. Payment due date of such contractual penalty is 14 days after delivery of Seller's notification to the Buyer. For the purpose for avoiding any doubts the Contract Parties expressly declare that payment of the contractual penalty does not have any impact on the obligation stated in the Articles 15.1, 15.2 or 15.3 of these General terms and neither is Buyer's entitlement to claim reimbursement for the damages. The Buyer is entitled to pursue all the claims individual and agreement on the contractual penalty has no implication on the responsibility for the damage, its pursuit, level and its reimbursement.

16. Other Agreements

16.1 Sub-suppliers

If the Seller supplies for the purpose of performing of this Purchase Contract or part of it or a part of supplied Goods, equipment manufactured by a sub-supplier, then the Seller is obliged to ensure that any identification markings affixed on such equipment by the original manufacturer, such as trade marks, catalogue or reference numbers, model and type identification numbers, technical details or directions of use, are not removed from it, i.e., the markings, usually available on the same or similar equipment, if purchased directly from usual commercial sources. If the Seller breaches this obligation, the Buyer is entitled to charge to the Seller a contractual penalty of CZK 50 000,- for each individual breach of the obligation, and so even repeatedly. Payment due date of such contractual penalty is 14 days after delivery of the Buyer's notification to the Seller. The payment of the contractual penalty does not have any implication on Buyer's entitlement to claim the reimbursement for the damages. The Buyer is entitled to pursue both claims individually and / or in parallel and agreement on the contractual penalty has no implication on the responsibility for the damages, its pursuit, level or reimbursement.

16.2 List of Sub-Suppliers, Buyer's Choice

If the Seller supplies for the purpose of performing of this Purchase Contract or part of it or a part of supplied Goods, equipment manufactured by a sub-supplier, then the Seller is obliged to provide a list of qualified sub-supplied against Buyer's request. The Buyer is obliged within 30 days from receiving the list, to mark in writing the sub-suppliers, from which the Seller is approved to purchase material and equipment for the purpose of performing the Purchase Contract. From sub-suppliers other than already approved by the Buyer, the Seller can purchase materials only after obtaining a prior approval by the Buyer. The Seller is responsible for the sub-supplied materials and possible faults in the same way, as if these materials were of his own.

16.3 Information regarding Progress of Production of Sub-supplied Materials

The Seller is obliged to inform the Buyer against his request of the production progress of the materials manufactured by the sub-supplier. The Seller is also obliged to inform the Buyer in due course of any circumstances at the sub-supplier, which could potentially jeopardize proper or in time performance of the Purchase Contract. The Seller is obliged to provide to the Buyer every possible co-operation and maximum effort in order to accommodate Buyer's requirements.

16.4 Checks at Seller's & Sub-Suppliers' Production Plants

The Buyer and / or third parties nominated by him are entitled at any time during the working days and usual working time to check at Seller's and sub-suppliers' premises that Seller's and individual sub-suppliers' commitments are maintained. On Buyer's request, the Seller is obliged make all the necessary arrangements for the Buyer and / or for the third parties nominated by the Buyer, so that these can perform the checks of the production progress, production facilities in the Seller's and / or sub-supplier's premises, where the required Goods, and / or materials are produced. The Seller is obliged to maintain full quality control procedures in place until the expiration of warranty of the last delivery of Goods under the Purchase Contract, and so at least of the same scope and quality as this was at the time of concluding the Purchase Contract.

16.5 Obligation of Retaining Documentation

The Seller is obliged to retain all the books and records related to the Purchase Contract for the minimum of 10 years from concluding of the Purchase Contract. The Seller is obliged namely to record all aspects regarding performing of the Purchase Contract requirements, lists of supply sources approved by the Buyer, lists of used materials and processes and lists of standard spare parts as per the Purchase Order. The Seller is obliged to keep register of all approved supply sources used for the performing Purchase Contract, i.e., namely of the sub-suppliers, certificates, attests, measurements, and so as per the type of Goods and Purchase Order Nos., Goods Nos. or Spare Parts Nos. and serial Nos. (Should the serial numbers by required.) These records must be maintained complete and upon Buyer's request must be made available free of charge to the Buyer, or with Buyer's consent, to third parties, whilst the Buyer is entitled to make extracts, duplicates or copies of those.

16.6 Warehouse

The Seller is obliged to maintain at his costs for the whole duration of the warranty period a warehouse with a backup quantity of the Goods supplied to the Buyer. The Seller professes that he will always keep sufficient quantity of such backup stock.

16.7 Performing of Contract by Seller at Buyer

If the Seller performs the contract in Buyer's premises or in the place nominated by the Seller he is obliged to move only in the parts of the premises or handling areas determined for that purpose by the Buyer. Any effects and / or objects essential for performing the Purchase Contract or will become a part of it, must be stored by the Seller in the areas designed for that purpose by the Buyer and must be properly protected against theft and maintained in proper, clean and orderly condition. After performing the subject of the Purchase Contract, the Seller is obliged return the premises into the original or alternatively into an otherwise agreed condition and hand these over back to the Buyer against a written record within the agreed period, however the latest within 14 days from the performing of the subject of the Purchase Contract.

17. Non-pursuit of Contractual Rights

17.1 Non-pursuit of Contractual Rights

Omission of either of the Contract Parties in pursuing of any term, condition and / or claim against the other Contract Party is not considered as renouncement of any right arising from the Purchase Contract and / or these General Terms.

18. Obligation of Keeping Secrecy, Confidentiality of Information

18.1. Information of Existence of Purchase Contract

The Seller professes that without receiving a prior express written consent of the Buyer, will not disclose any information regarding the existence of the Purchase Contract and / or its content to any third party. The Seller is responsible for all the damages caused to the Buyer due to the Seller's breach of this obligation.

18.2 Mutually Provided Information & Documents

The Seller professes that without receiving a prior express written consent of the Buyer, will not disclose any information or documents received from the Buyer regarding this Purchase Contract. The Seller is responsible for all the damages caused to the Buyer due to a breach of this obligation.

19. Industrial & Intellectual Property Rights

19.1 The Seller professes to ensure, that none of the stipulations of the Purchase Contract and or their applications would improperly get into a conflict with the industrial and / or intellectual properties of any third parties under the legal protection of any country.

19.2 The Seller hereby expressly professes, that he is fully entitled to manage and use the industrial and / or intellectual properties regarding the Goods and also professes to ensure proper and problem free usage of the Goods by the Buyer and / or by his customers and the transfer of the Buyer's ownership rights or by his customers onto third parties. The Seller declares that from the date of Buyer's acceptance the Goods is in Buyer's ownership with unrestricted right of usage in the widest possible scope and in accordance with the appropriate legal code covering the appropriate industrial and / or intellectual properties protection. The right of usage is not restricted in time or territory and is transferred free of charge, the right transferrable with the right of sub-licensing and the right conveyable without need for consent of the originator and / or owner of the industrial and / or intellectual properties. Any reward for providing these rights is already included in the purchase price.

19.3 The Seller further professes to ensure that in consequence of a breach of the Seller's obligation stipulated either in this part and / or due to Seller's false declaration will not cause any damage to the Buyer and / or other third party. The Seller expressly professes to reimburse the Buyer for any damages incurred due to the breach of this obligations and / or due to the false declaration, and further any damages and costs, incurred by the Buyer due to the pursuit of the rights of the third parties against the Buyer, Buyer's customer and / or any other company belonging into the same company group as the Buyer.

19.4 The Seller is obliged to inform the Buyer in writing the latest at the time of delivery of the Goods to the place of delivery of the scope of industrially-legal protection of the Goods, respectively of the technical documentation. If the supplied Goods and / or the technical documentation is not subject to Seller's industrially-legal protection nor of any third parties, the Seller is obliged to provide the Seller with a written declaration stating that the Supplied Goods, its part and / or the technical documentation is not subject to the industrially-legal protection of the Seller or of any third parties and that it does not contain any industrially-legal faults. In case that Seller's declaration is found false, the Seller is obliged to pay to the Buyer a contractual penalty of CZK 100 000,-. The payment of the contractual penalty





does not have any implication on Buyer's entitlement to claim reimbursement for the damages. The Buyer is entitled to pursue both claims individually and / or in parallel and the agreement on the contractual penalty has no implication on the responsibility for the damages, its pursuit, level or reimbursement.

20. Responsibility for Damages

20.1 Responsibility for Damages

The Contract Parties have agreed that the Para. 379 of the Commercial Code, second sentence will not be used for the purpose of determining of the scope of the damages incurred due to Seller's breach of the obligations stipulated by contracts under these General Terms. The Seller is responsible for all the damages caused to the Buyer, Buyer's customers or other parties in relation to his breach of obligations stipulated by the Purchase Contract. The Seller is obliged to reimburse the Buyer for all the damages, namely all the amounts which the Buyer in conjunction with Seller's breach of obligations stipulated by the Purchase Contract incurs, costs of proceedings led by the Buyer in relation to the Seller's breach of obligations stipulated by the Purchase Contract, as well as of all costs incurred due to the faults of Goods, inclusive of the costs of dismantling, costs of new assembly of the Goods and costs of shutting down of the final product, into the faulty Goods was installed. The Seller hereby professes to reimburse the Buyer for all the damages in full within 30 days from the delivery of Seller's written notification.

21. Force Majeure

21.1 Force Majeure

In case of occurrence of the Force Majeure, the schedules for performing of the obligations of the Contract Parties stipulated by the Purchase Contract and / or by these General Terms, are extended by the period of duration of the Force Majeure. The Seller is obliged to inform the Buyer of the occurrence and expiry of the Force Majeure in writing in due course. The Seller is also obliged to inform the Buyer of the occurrence and expiry of the occurrence of the Force Majeure at his sub-supplier in writing. As Force Majeure are not considered namely such situations as interruption and / or delay of deliveries from the sub-suppliers (if these not caused by the consequences of the Force Majeure.), payment inability, lack of workforce or material. As Force Majeure are considered mainly such events as earthquake, flood, extensive fire or war.

22. Governing Law

22.1 Governing Law

The entitlements and obligations of the Contract Parties inclusive conclusion of the Purchase Contract, its validity and effectiveness are regulated by the Code of Law of the Czech Republic. If the Purchase Contract contains a concrete reference to a stipulation contained in the INCOTERMS 2010, these also become an integral part of the Purchase Contract.

23. Supplement of Arbitration

23.1 Supplement of Arbitration

The Contract Parties hereby profess that they will produce all possible effort to resolve any disputes which may arise from or in relation to the Purchase Contract in conciliatory manner. The Contract Parties have also agreed that if they cannot resolve any dispute which may arise from or in relation to the Purchase Contract in conciliatory manner, they will present such a dispute or claim for the purpose of arbitration and resolution to the Court of Arbitration at the Chamber of Commerce of the Czech Republic and the Agrarian Chamber of the Czech Republic (Further as "Court of Arbitration"). The arbitration proceeding will be conducted in accordance with the rules and regulations of the Court of Arbitration by the senate consisting of three arbiters. Each of the parties will select one arbiter and these two will then select a third one, which will be nominated into the position of the Chairman of the senate of arbiters. In case that these arbiters would not agree on the Chairman of the senate of arbiters within fifteen (15) days from their appointment, or in case that either of the Contract Parties would not nominate its arbiter within thirty (30) days from the delivery of the claim to the other Party, then the arbiter is nominated by the Chairman of the Court of Arbitration as per the rules and regulations of the Court of Arbitration. The place of arbitration proceeding is Prague, Czech Republic, and the language is the Czech language. The finding and the decision made by the arbiters is final and for both Parties fully binding.

24. Severability Clause

24.1 Severability Clause

If some of the stipulations of the Purchase Contract and / or these General Terms are or will become invalid or ineffective, this has no implication onto the validity or effectiveness of the other stipulations of the Purchase Contract and / or of these General Terms. The Contract Parties in this case profess to arrive to an agreement in order to replace the invalid and / or ineffective stipulation with a new one, which will better describe the originally stated purpose of the original stipulation.

25. Buyer's Exclusivity

25.1 For the purpose of avoiding any doubts the Seller expressly professes, that any Goods which was co-developed and / or financed and / or co-financed by the Buyer will not be used by the Seller for any other party then the Seller.

25.2 The latest by the termination of the concrete Purchase Contract, subject of which is the concrete Goods, the Seller professes to supply to the Buyer free of charge all the materials, which are related to this Goods and / or are related to the development and / or to refinement.

25.3 If the Seller breaches this obligation as per the Article 25.1 or 25.2 of these General Terms, the Buyer is entitled to receive from the Seller a contractual penalty of CZK 100 000.- for each individual breach of this obligation, and so even repeatedly. The payment due date of this penalty is 14 days from the delivery of Buyer's notification to the Seller. In order to avoid any doubts, the Contract Parties expressly profess that the payment of the contractual penalty does not have any implication on the obligations as per the Article 25.1 or 25.2 of these General Terms, and at the same time Buyer's entitlement to claim the reimbursement for the damages is not affected in any way. The Buyer is entitled to pursue all the claims individually and / or in parallel and the agreement on the contractual penalty has no implication on the responsibility for the damages, its pursuit, level or reimbursement.

25.4 The Seller acknowledges his acceptance of the fact, that the Buyer is the supplier of the final product to his customers (Further as "Customers"), which are listed in the attachment to the Purchase Contract and / or Order – List of Customers. The Final Product as per the previous sentence (further as "Final Product") is considered the product supplied to the Customer, part of which is the Goods and / or Spare Parts. The Contract Parties have

agreed that the only the Seller is entitled for the duration of the validity of the Purchase Contract and further on for the additional period of 10 years after the expiry of the validity of the Purchase Contract, offer and supply the Goods and / or Spare Parts to the Customer as the sole and exclusive supplier. The Seller professes, and so on behalf of subjects, which function in conjunction with the Seller and / or are financially, personally or otherwise connected with him, to avoid any conduct aiming to, or could be objectively considered as a breach of the agreement as per the previous sentence.

25.5 The Seller professes namely, that for the period of duration of the validity of the Purchase Contract plus for the additional period of 10 years after expiry of the Purchase Contract:

- Will avoid any activities, which could result in agreeing upon and / or concluding any binding commercial relationship with any of the customers in regards to the supply of the Goods and / or Spare Parts, and so even via another third party,
- Will not enter into any negotiations with any of the customers aiming to the reaching of an agreement regarding supplying of the Goods and / or Spare Parts, and so even via another third party,
- Will not enter into any binding commercial relationship with any of the customers and will not supply the Goods and / or Spare Parts, and so even via another third party,
- Fully respects the agreement of the Contract Parties regarding the fact that all the binding commercial relationships concerning the Goods and / or Spare Parts will be conducted solely through the Buyer.

25.6 The Seller bears the full responsibility for the consequences arising from a breach of the obligations stipulated in the Articles 25.4 and 25.5 of these General Terms and is responsible for any damages caused due to this breach to the Buyer. In case of a breach of the obligations stipulated in the Articles 25.4 and 25.5 of these General Terms, the Seller is obliged to pay to the Buyer a contractual penalty of CZK 100 000.- for each individual breach of this abovementioned obligation, and so even repeatedly. The payment of the contractual penalty does not have any implication on the right of reimbursement for such damages affected in any way. The Buyer is entitled to pursue both claims individually and / or in parallel and the agreement on the contractual penalty has no implication on the responsibility for the damages, its pursuit, level or the right of the reimbursement.

25.7 The Seller further professes that he will extend the obligations stipulated in the Articles 25.4 and 25.5 of these General Terms also onto the third parties, which will enter into his entitlements and obligations on the basis of any legal situation in the scope of the appropriate Purchase Contract. For a breach of the obligations stipulated in the Articles 25.4 and 25.5 of these General Terms by a third party, as well as for the damages which will due to such breach arise to the Buyer, is the Issuing Party responsible in such a manner as if he caused the breach himself.

25.8 The Seller further professes that in case of the sale or of another transfer of the Goods and / or of the Spare Parts will convey the commitment stipulated in this Article also onto his buyer or parties, onto which the Goods and / or Spare Parts were conveyed.

26. Environmental Policy of OTS

26.1 The Seller acknowledges following principles of the Environmental Policy of OTS:

- Maintaining of all the valid laws, regulations and of other requirements stipulating the protection of environment as a basis for continual improvement,
- Ensuring avoidance of the pollution and prevent possibilities of occurrence of extraordinary situations, which could have negative impact on the environment,
- Priority usage of such materials and processes, which result in the minimum negative impact on the environment and workplace,

In case that the Seller will conduct his activities within OTS's premises, his employees are obliged to maintain the abovementioned principles of the Environmental Policy and procedures for avoiding the environmental risks, which will be introduced to them at the point of entry into OTS's premises. The Seller is obliged to avoid any possible environmental risks in accordance with the valid legislation of the Czech Republic, taking into account the nature of performing the contractual arrangements between the Seller and OTS, namely the escape of oils and fuels from the supplied Goods and escape of chemicals and other liquids.

27. Protection of Environment in OTS

27.1 The Seller has been acquainted with the fact, that OTS's premises operate under the ecologically oriented system of the quality control, so called Environment Management System (EMS) in compliance with ISO 14001.

27.2 The Seller acknowledges the fact that he enters premises of OTS, which operate under the ecologically oriented system of quality control, so called Environment Management System (EMS) in compliance with ISO 14001, and professes to:

- Respect all the conditions, which ensure the protection of the environment and the workplace and regulate movement of company personnel and private persons within the premises of OTS,
- Handle refuse and dangerous materials in compliance with the current legislation, namely the regulations governing water, refuse, air, chemicals and other fluids, and other applicable regulations,
- Pay to OTS a contractual penalty of CZK 500.- for every case of breaching the conditions governing the environment protection, work conditions and movement of foreign personnel and private persons within the premises of OTS. The contractual penalty is payable within 14 days from the delivery of the Buyer's notification to the Seller. The payment of the contractual penalty has no implication to claiming the reimbursement for the damages at the level, exceeding the contractual penalty,
- Restrict or interrupt his activities when requested by the authorized representative of OTS, when found that some of the conditions ensuring the protection of the environment and of the workplace conditions, as well as the movement of foreign personnel and private persons within the premises of OTS have been disobeyed, and will correct the situation immediately.
- Bindingly instruct his employees, respectively the authorized third party, at the point of entering the premises, to maintain the conditions of the environment protection.

Company:
Name, Surname & Position:
Date: Signature:

