

## GENERAL TERMS AND CONDITIONS OF PURCHASE of deliveries of goods and services (valid from August 1, 2016)

These General Terms and Conditions of Purchase (hereinafter referred to as GTC) regulate relationships when purchasing between the company **První brněnská strojírna Velká Bíteš, a. s.**, with its registered office in Velká Bíteš, Vítkovská 279, Postal Code 595 01, Company ID No.: 0176109, registered at the Commercial Register maintained by the Regional Court in Brno, Section B, File 204 (hereinafter referred to as "PBS") and the other contracting party (hereinafter referred to as the "supplier"). Any deviations from these GTC must be agreed on directly in the relevant agreement or stated directly in the order, or in the draft agreement drawn up by PBS. Terms of the agreement have priority over GTC. The rights and obligations of the Contracting Parties not regulated by the agreement or GTC are governed by the Act No. 89/2012 Coll., the Civil Code. If the supplier confirms an order of PBS or acts in compliance with it, the supplier thereby undertakes to accept these general terms and conditions of purchase.

### I. AGREEMENT CONCLUSION

1. A proposal for concluding an agreement, or order, must be submitted in writing and acceptance of the proposal for concluding an agreement, or confirmation of order, must also be made in writing (also by email). The supplier acting according to the order is also considered as acceptance.
2. A proposal for concluding an agreement, or order, submitted by PBS shall be confirmed by the supplier in writing (or by email) within the period for confirmation by PBS in the proposal. After the fulfilment of the period, the sent order or proposal for concluding an agreement loses validity. Unless PBS sets a period for accepting the proposal, the period is 5 days after receipt of the proposal to the supplier.
3. If the supplier confirms a proposal for concluding an agreement with making any changes in its confirmation as opposed to the received proposal, the agreement is not concluded. In such case, it is a new proposal for concluding an agreement submitted by the supplier, while PBS may refuse the submitted proposal or confirm it in writing within 10 days from its receipt. Provided that PBS does not do so within the said period, it is understood that the Agreement has not been concluded, and neither party is bound by it.
4. PBS as well as the supplier exclude the use of trade practices for the pre-contractual and contractual relationship, as defined in the provision of Section 558 paragraph (2) of Act No. 89/2012 Coll., the Civil Code, and they are only bound by the trade practices which the parties agreed on in writing in advance. The provision of Section 558 paragraph (2) of the Civil Code does not apply to pre-contractual negotiations nor to individual agreements.

### II. DELIVERY TIME

1. The delivery times stated in the order of PBS are binding. Earlier delivery is possible only with the prior written consent of PBS and does not affect the agreed maturity of the price. The Supplier is not liable for delay only for reasons of exceptional, unforeseeable and insurmountable obstacles arising beyond its control, and only provided that the supplier sufficiently proves these reasons and that it immediately notifies PBS of this fact.
2. The supplier undertakes to inform PBS immediately of any foreseeable delays to deliveries.
3. In the case that the delivery time is not met, PBS is entitled to demand delivery and compensation for damages and lost profits resulting from the delay, or compensation due to failure to fulfil obligations, and is entitled to withdraw from the agreement, in addition to other legal rights. Liability for delay caused by subcontractors of the Supplier or third parties shall be borne by the Supplier.
4. PBS is entitled to return earlier or excessive deliveries or not to accept them, all at the expense of the Supplier.

### III. PURCHASE PRICE

Unless agreed in the agreement otherwise, the price includes the necessary container and packaging, insurance and transport to the destination specified in the order, or the registered office of PBS.

### IV. REQUIREMENTS OF DELIVERY NOTES AND INVOICES

1. The supplier is obliged to issue a delivery note or other similar legal document for each individual delivery no later than with the unloading, which must contain at least the following requirements:
  - a) number of the delivery note,
  - b) designation of both contracting parties and their registered offices in accordance with the record in the Commercial Register, Company ID No., tax ID No.,
  - c) number of the agreement (or agreements) according to the records of PBS (i.e. number indicated in the order or proposal for concluding an agreement), for the performance of which the delivery is implemented,
  - d) number of the agreement (or agreements) according to the records of the supplier,
  - e) list of individual items of the delivered goods or services, including the relevant numerical designation (serial number, drawing number, the number of moulds for casting, etc.), or other distinctive sign (possibly including binding data on the composition, surface treatment, etc.) and quantity,
  - f) the exact address of the carrier, shipper, etc. who provides transportation of the subject of performance to PBS,
  - g) sections designed to confirm the proper takeover of the subject of performance by PBS
  - h) delivery (dispatch) note must be forwarded to PBS for its needs in two copies.
2. The supplier is obliged to indicate at least these requirements in the invoice for the delivered goods:
  - a) invoice number,
  - b) designation of both contracting parties and their registered offices in accordance with the record in the Commercial Register, Company ID No., tax ID No.,
  - c) number of the agreement according to the records of PBS (i.e. number indicated in the order or the agreement), for the performance of which the invoice amount is issued,
  - d) number of the agreement according to the records of the supplier,
  - e) number of delivery or dispatch note or multiple notes, provided that the invoice relates to the agreement fulfilled by several delivery (dispatch) notes,
  - f) subject of taxation in accordance with the delivery (dispatch) note,
  - g) list of individual items of the delivered goods or services, including the relevant numerical designation (serial number, drawing number, the number of moulds for casting, etc.), or other distinctive sign (possibly including binding data on the composition, surface treatment, etc.) and quantity,
  - h) unit price for each type of invoiced item (without VAT) + VAT rate,
  - i) the invoiced amount including VAT,
  - j) total VAT invoiced,
  - k) the total invoiced amount including VAT
  - l) currency:
  - m) bank account to which the invoice is to be paid,
  - n) date of the taxable event, date of issuance of the invoice and date of maturity of the invoice.
3. Before the expiry of the due date, PBS is entitled to return the invoice without payment, if the invoice does not contain any of the above mentioned requirements or if the data is stated incorrectly.
4. In such case, the supplier is obliged to correct this invoice or issue a new one, depending on the nature of the deficiencies. The original maturity period of the invoice stops upon return of the invoice; the entire period starts again on the day of delivery of the corrected or newly issued invoice.
5. Unless otherwise agreed in the agreement, the supplier shall be entitled to invoice on the day of fulfilling the subject of the agreement and is obliged to issue a tax receipt within 15 days from the date of the taxable event.
6. The maturity of the invoice is at least 30 days from the date of invoice issuance. Unless explicitly agreed otherwise in the agreement, the interest on arrears is 0.05% of the owed amount for each day of delay, and by confirming the draft agreement, an interest on arrears is agreed in this amount instead of the rate set by the Civil Code and the implementing regulation.

### V. ASSIGNMENT AND SET-OFF

The Supplier is entitled to assign the receivables from PBS and obligations towards PBS only on the basis of a prior written consent of PBS. The supplier is not entitled to unilaterally set off any receivables of the Supplier from PBS against receivables of PBS from the Supplier, without prior written consent of PBS.

### VI. PLACE OF DELIVERY - FULFILMENT OF DELIVERY

1. The place of performance, unless stated otherwise in the order, is the registered office of PBS.
2. Unless stipulated otherwise in the agreement, the supplier is obliged to deliver the subject of performance together with the documents relating to it, as well as other documents necessary for the use of the subject of performance, and documents expressly stated in the agreement, to the registered office of PBS, DAP (Incoterms 2010). These are mainly handover protocol, certifications, warranty cards, certificate of composition of the delivered alloys, safety data sheets or safety certification for chemicals, test reports, certificates of professional competence of the supplier and individual workers providing PBS with those kinds of subjects of performance, for which the valid system of laws, including relevant technical and other standards, prescribe a certain specific professional examination or knowledge, operation manuals (when purchasing in the Czech Republic in the Czech language), operating regulations, technological procedures and regulations, etc. Without complete documentation, delivery cannot be considered fulfilled and can not be taken over without reservations.
3. Agreement (order) number must be stated in all documents related to the delivery.

### VII. SUPPLIER'S DELAY AND CHANGES IN IMPLEMENTATION OF LONG-TERM DELIVERIES

1. If the supplier is in delay, PBS is entitled to demand a contractual penalty in the amount of 0.05% of the agreed price of the performance, in which the delay was incurred, for each day of delay, and to unilaterally withdraw from the agreement after 15 days of delay without any agreed additional period for performance, without affecting the rights and claims of PBS for compensation for damages and lost revenue caused by the supplier's delay.
2. In the case the supplier is unable to fulfil its obligation in the agreed period, it is obliged to immediately notify PBS of this fact, and simultaneously inform and negotiate an additional period for performance with PBS. PBS is bound by such deadline only if it does not exceed 15 days from the original date of performance, and PBS agreed to this extension. Otherwise, PBS is entitled to withdraw from the agreement unilaterally and in writing, without affecting the rights and claims of PBS for compensation for damages and lost revenue caused by the supplier's delay.
3. In the case of long-term recurring deliveries of goods, if it is decided that there should be any changes to the composition of the delivered material, etc., the supplier is obliged to request a written consent of PBS with any changes to the composition of the processed material or other intended changes compared to the previous deliveries of goods, or the subject of performance, prior to the beginning of such production.

### VIII. WARRANTY PERIOD, APPLICATION OF LIABILITY FOR DEFECTS - COMPLAINT

1. Unless it is agreed otherwise in the agreement and in writing, the supplier undertakes to provide a warranty period of 24 months from the date of delivery covering the subject of performance. If the subject of performance is a part of the delivery of PBS to another entity, the warranty period shall begin on the date of placing this delivery in service, or the date of delivery to this other entity. PBS is obliged to prove to the supplier the date of starting the operation, or delivery date of the delivery to another entity. However, the total warranty period is no more than 36 months from the date of delivery of the subject of the performance by the supplier to PBS.
2. The warranty period for construction works and for buildings is 5 years from the date of receipt by PBS.
3. When detecting defects by PBS while taking over the subject of performance, PBS is obliged to notify the supplier of the identified defects by a complaint in writing without undue delay, in which it shall describe the number or otherwise specified quantity of the subject of performance affected by the defects, describe the types of defects, or describe how the defects show. The supplier is obliged to replace defective products with new ones immediately, unless PBS expressly requests repair of each of the delivered products, or a discount from the price. This written complaint has a numerical designation corresponding with the established system of registration of complaints at the authorized PBS centre. This written complaint must also include the number of the delivery note (or notes), by which the goods were delivered, and number of the relevant invoice (or invoices), which relate to the complaint.
4. In the case of a complaint submitted within the warranty period, the supplier is obliged to send a written statement on the complaint to PBS within 5 days from its receipt. If the supplier is unable to remove the defect of the subject of the complaint within 30 days from receipt of the complaint, it is obliged to provide a replacement. After the mutual written agreement of the parties, the repair or replacement of defects or replacement of the subject of the complaint can be carried out at workplaces of PBS by representatives of the supplier or by PBS at the supplier's expense. Based on a written agreement between the parties, other fully functional goods can be lent to PBS free of charge for the time of settlement of the complaints, in exceptional cases.
5. If the supplier does not remove the defect of the subject of the complaint nor does he provide a replacement performance to the extent of the defective goods, PBS has the right to withdraw from the agreement after 30 days from delivery of the complaint, and invite the supplier to pick up the defective subject of performance to the extent to which it can be technically separated from other goods. The supplier is obliged to issue a credit note for the relevant amount from the invoice, based on which the relevant subject of performance under complaint was delivered and paid for, within 15 days after picking up the defective subject of performance, and send it by registered mail to the purchaser. The supplier is obliged to pay the price to the extent of the defective performance, within 15 days after receiving the invoice for the returned goods, under the variable symbol of the number of its issued credit note.
6. PBS may demand from the supplier the costs associated with the legitimate complaints procedure at a flat rate of CZK 5,000 based on issuance of an invoice by PBS within 15 days from receipt of the invoice.

### IX. LEGAL DEFECTS

The supplier is liable for ensuring that by using the subject of performance for internal use of PBS, or consuming the subject of performance into the final products of PBS, or establishing procedures for the use of the subject of performance, no rights of third parties are violated.

### X. TRANSPORTATION AND PACKAGING, DISPOSAL OF UNNECESSARY GOODS

1. The supplier is obliged to send the goods in a package that shall secure sufficient protection against damage during the transport and storage on adequate premises of PBS.
2. The supplier of the subject of performance shall adequately provide the information on the method of disposal of packaging in accordance with the provision of Act No. 477/2001 Coll., on packaging, and information on liquidation of old goods in accordance with the provision of Act No. 185/2001 Coll., on waste - in the respect of the range, to which the subject of performance relates.

### XI. SUBJECT OF PERFORMANCE - GOODS ACCORDING TO THE ASSIGNMENT, DRAWINGS AND MODELS OF PBS

1. The same products as the goods which the supplier produces or provided or had produced for PBS according to data, calculations, drawings or models of PBS must not be supplied to third parties by the supplier without prior written consent of PBS.
2. Special equipment, matrices or similar objects passed by PBS to the supplier for production of the subject of performance for PBS must not be disclosed to third parties by the supplier without prior written consent.

3. This also applies if the supplier acquires special equipment, matrices, etc. at its own expense, and if for any reason there are no more agreements concluded between PBS and the supplier. For that case the supplier and PBS are obliged to conclude an agreement on settlement of the costs of acquisition of the special equipment, matrices, etc., within 60 days from the date on which both parties probably learn about the termination of deliveries. The supplier must not demand from PBS a higher price for handing over special equipment or matrices to the attention of PBS etc., than the actual costs of their acquisition after deduction of depreciations.
4. If any improvements of the current methods of the supplier arise in connection with implementation of the subject of performance, PBS has a free, non-exclusive user right to the industrial use of the new knowledge thus gained or subject of the improvement, and any eventual related rights.
5. The supplier is obliged to request prior written consent of PBS to shared use, changes or destruction of special equipment or tools manufactured according to the data, calculations, drawings or models of PBS.
6. Models, designs, material composition, calculations, drawings, technical changes or documentation of any kind, which were handled over by PBS to the supplier in connection with the conclusion of the agreement or order, remain in ownership of PBS the entire duration, and are subject to trade secrecy. The supplier must not use the provided models, designs, drawings or other technical documentation of PBS without prior written consent of PBS for itself, nor can the supplier provide them to a third party.
7. The supplier is obliged to return the provided models, designs, drawings or other technical documentation - with all copies it has taken, immediately upon request of PBS.
8. In case of breach of any of the foregoing provisions of Art. XI, PBS is entitled to a contractual penalty amounting to three times the price of the performance or the usual tangible assets, as well as the usual price of intangible assets, where there has been unauthorized use in favour of the supplier or a third party, determined by a court expert in the field concerned, according to the decision of PBS.

### XII. GOODS OWNERSHIP RIGHT AND PASSAGE OF THE RISK OF DAMAGE TO THE GOODS

PBS acquires the ownership title to the goods upon handover of the goods to PBS, and at the same time, risk of damage to the goods shall pass to PBS, too.

### XIII. FORCE MAJEURE

1. The event of Force Majeure are according to the contracting parties such unusual events or circumstances, which temporarily or permanently prevent fulfilling the obligations set by the agreement, and which arise after the agreement comes into force, they have a direct impact on fulfilling obligations under the agreement and which could not have been anticipated or averted by either of the contracting parties.
2. The party, which is prevented from fulfilling the contractual obligations by force majeure, is obliged to inform the other party immediately when the force majeure event arises, and to provide the other party with evidence that the events or circumstances causing the event of force majeure have significant impact on the fulfillment of the contractual obligations. Should an event of force majeure continue for more than 90 days, both parties shall negotiate to modify the contract.

### XIV. TERMINATION AND WITHDRAWAL FROM THE AGREEMENT

1. PBS is authorized to terminate the agreement at any time. If PBS terminates the agreement, the potential compensation paid by PBS to the Supplier shall not exceed the part of the agreed price which the supplier is entitled to for the performance the supplier provided to PBS upon the day of termination of the agreement, though maximally up to the total agreed price for delivery in accordance with the particular terminated agreement. In case of withdrawal from agreement or its termination by notice, the claim of PBS for compensation for damages against the Supplier is not affected.
2. PBS is entitled to withdraw from the agreement in case of a gross breach of the agreement or these GTC - without prior written notice to the supplier.
3. Gross breach is:
  - a) delay in delivery for more than 15 calendar days from the agreed date of performance,
  - b) delivery of defective performance to the extent exceeding 10% of the volume of delivery from one concluded agreement,
  - c) when the supplier is bankrupt, becomes insolvent, or PBS could believe that this case may happen imminently, especially in the case of initiation of insolvency proceedings or similar proceedings under the laws of the supplier,
  - d) breach of any obligation set in Art. XI: of GTC.
4. In the case of withdrawal, PBS shall return the part of performance which it is possible to technically separate and, therefore, return. A proportional part of the paid purchase price reduced by 10% belongs to the supplier for the not repaid part of performance.

### XV. CONFIDENTIALITY

1. The supplier undertakes to consider all non-public business and technical information that the supplier gets acquainted with during the contractual relationship with PBS as a trade secret. Drawings, models, moulds, jigs and accessories, patterns, matrices and similar objects and materials of PBS must not be disclosed or otherwise provided to third parties without prior written consent of PBS. The Supplier is entitled to make any reproduction and dissemination of these objects only with prior written consent of PBS and to the extent of laws on intellectual property rights. The supplier is obliged to return the objects thus provided to PBS upon fulfillment of the supplier's obligation.
2. or keep them for processing new orders, as agreed by the parties. The same applies to products produced by the Supplier according to specifications of PBS. These terms and conditions also apply to subcontractors of the supplier and the supplier is obliged to bind its subcontractors to the same extent. The supplier is not entitled to disclose information about the origin, terms and conditions and content of the contractual relationship between the Supplier and PBS and the trade cooperation between the Supplier and PBS, without prior written consent of PBS.

### XVI. GOVERNING LAW, JURISDICTION

1. The supplier is aware of the fact that the delivered goods are intended for manufacture mainly in the engineering industry, and, therefore, it is necessary to deliver them to PBS properly and timely according to the agreed terms and in the maximum manufacturing quality and in compliance with all legal and technical standards of the Czech Republic and the EU, as well as the final destination, because otherwise extensive damage and loss of revenue may be caused to PBS.
2. The supplier acknowledges that delay in delivering goods or delivering goods with defects may cause a suspension or reduction of production at the factory of PBS and emergence of large-scale damage. The supplier assumes liability for all damages or lost revenues arising out of breach of its obligation to deliver the goods properly and on time to PBS.
3. The supplier bears full liability for the quality of the goods as required by technical specification and the relevant directive and quality requirements of PBS, with which the supplier has been acquainted. The pre-contractual and contractual relationships, to which these GTC relate, are governed by the legal regulations of the Czech Republic. Application of provisions of the "United Nations Convention on Contracts for the International Sale of Goods" is excluded. The court determined by the subject-matter and local jurisdiction shall be the competent court for resolving litigation, according to the Code of Civil Procedure (Act No. 99/1963 Coll., as amended) or the act that replaced it.

In Velká Bíteš, on July 29, 2016

Ing. Milan Macholán  
CEO