

GENERAL PURCHASE CONDITIONS FOR THE SUPPLY OF GOODS AND SERVICES (02/2014)

These General purchase conditions (hereinafter "**GPC**") govern the relations between the companies for the purchases by TEDOM a. s., registered at Výčapy 195, 674 01 Třebíč, Identification No.: 28466021, registered in the commercial register kept by the Regional court in Brno, section B, insert 6260 (hereinafter "**TEDOM**") and the other Contracting Party (hereinafter "**Seller**"). If Seller confirms the order, Seller will undertake to accept these GPC. If Seller provides TEDOM with performance according to TEDOM's order even without the prior confirmation of this order, such conduct is considered to be an acceptance of the offer according to Art. 1744 Act No. 89/2012 Coll., of the Civil Code, as subsequently amended. Even in this case this resulting contractual relationship is governed by these GPC. Nevertheless in this case TEDOM is entitled to refuse this performance that has been delivered.

Any deviations from GPC have to be agreed in the writing relevant contract (order - proposal for conclusion of the contract). The provisions of the contract (order) take precedence over the GPC. In cases that are not adjusted by an order (contract) and GPC between TEDOM and Seller or in cases that are not agreed provably between TEDOM and Seller, the relevant provisions of business conditions of Seller will be applied, if these business conditions supplement an order (contract) and if solve such a case. The rights and obligations of the Contracting Parties not specified in the contract (order) or GPC or business conditions of Seller are governed by Act No. 89/2012 Coll., of the Civil Code.

TEDOM and Seller have agreed that they are bound by only such a business convention which is expressly mutually agreed (in writing).

If Seller confirms the order or if Seller provides TEDOM with performance according to TEDOM's order without the prior confirmation of this order, Seller as well as confirms that he has been aware of TEDOM a.s. Quality Management and Environmental Management Policy that is placed at www.tedom.com. Seller confirms that will conduct in compliance with this document providing the performance according to the order.

I. FORMATION OF CONTRACT

An order (a proposal for the conclusion of the contract) may be submitted in writing, by e-mail (may exceptionally be submitted orally). It may be for a particular supply, or may have a long-term character.

Proposal for the conclusion of the contract, submitted by TEDOM, will be confirmed by Seller within the time limit referred to in the proposal. If the time limit is not fixed by TEDOM, within 10 days after receipt of the proposal.

The implementation of any changes made by Seller in the proposal submitted by TEDOM does not constitute the entitlement to the formation of the contract. In this case, it is a proposal for the conclusion of the contract submitted by Seller to TEDOM and the contract will be created upon the date of receipt of the corresponding expression of the agreement from TEDOM. An order (a proposal for the conclusion of the contract) may be modified either only under agreement of both parties or by such a conduct if Seller provides performance according to the modified order of TEDOM. TEDOM precludes by this article the agreement with an offer (order) with a supplement or a change even if the conditions of the order have not been changed fundamentally within the meaning of Art. 1740 par. 3 sent. 2nd Act No. 89/2012 Coll., of the Civil Code.

II. PURCHASE PRICE

Unless otherwise agreed, the price includes packaging, transportation to the place of destination, and insurance.

III. ELEMENTS OF INVOICES AND PAYMENTS

The Contracting Parties agree that the invoice must contain at least the following elements:

- the invoice number
- the indication of the Contracting Parties (according to the extract from the Commercial Register)
- the indication of their place of headquarters
- the indication of the competent section of TEDOM
- the indication of the responsible person who is authorized to act for TEDOM, if it is indicated in the contract (order)
- Identification No. and VAT registration number of the Contracting Parties
- the number of the contract – order**
- the subject matter of the taxable payment in accordance with the contract (order)
- the invoiced amount without VAT

- the rate of VAT
- the VAT amount
- the total invoiced amount
- the currency
- the exchange rate
- the bank connection of both Contracting Parties, including the account in foreign currencies
- the date of the taxable payment
- the date of issue of the invoice
- the date of sending of the invoice
- the date of the invoice maturity (due date) or the invoice maturity

TEDOM is entitled, before the expiry of the date of the invoice maturity, to return the invoice without payment, if it does not contain any of the above agreed requirements, or if these data are listed incorrectly.

Seller is obliged to repair or newly drove up this invoice (according to the nature of the shortcomings). Returning the invoice will stop the original time limit for payment of the invoice, the whole of the period will run again from the date of receipt of the corrected invoice or from the date of receipt of the new one.

Unless otherwise agreed, Seller is entitled to invoice from the date of fulfilling of the subject of the Contract and is obliged to issue a tax document no later than **15 days** from the date of the taxable payment.

The time limit for payment of the invoice is **60 days** from its delivery to TEDOM. In the case of arrears with the payment of the invoice the Contracting Parties agree that interest on arrears will be at a maximum amount of **0.05 %** of the amounts due for each day of delay.

An electronic form of invoice is preferred. In this case either the e-mail message, which will have an invoice in the attachment, must contain the electronic signature or the electronic signature must be on each invoice document. The invoice must be sent in non-editable form.

E-mail address for invoices in an electronic form:

- prijemfaktur@tedom.com: invoices concerning goods/services for Engines Division (i.e. all invoices relating to orders addressed from TEDOM a.s., Belgická 4685/15, Jablonec nad Nisou)
- fakturace@tedom.com: any other invoices.

The address for invoices in a written form: TEDOM a.s., Výčapy 195, 674 01 Třebíč, The Czech Republic.

IV. PLACE OF DELIVERY - DELIVERY COMPLIANCE

Unless otherwise agreed in the contract or order, Seller is obliged to ship the subject matter and documents which are necessary for the acceptance and the use of goods or services, as well as other documents established in the contract (order) to the headquarters of TEDOM. These documents are especially: delivery note, handover protocol, certificates, attestations (inspection certificates), guarantee cards, safety data sheets for chemicals, reports about tests that were made, evidence of the professional competence of Seller and individual workers doing services for TEDOM, user manuals (for purchases in the Czech Republic in Czech), operating rules, technological processes, etc. Delivery without complete documentation cannot be considered as fulfilled and it cannot be accepted unreservedly.

The number of the contract/order must be indicated in all the documents relating to the shipment.

V. DELAYS BY SELLER AND CHANGES IN THE IMPLEMENTATION OF LONG-TERM SUPPLY

If Seller has a delay, TEDOM is entitled to demand a contractual penalty to **the amount of 0.05 %** of the agreed price of compliance for each day of delay, and without the determination of additional delivery time, to withdraw from the contract (order) without prejudice to the right to damages and lost profits in whole amount. Damages and lost profits might reach up to multimillion-euro amounts as the goods is mainly used in CHP (cogeneration) technology.

If Seller will not be able to meet the commitment in time, Seller is required to inform TEDOM without delay and at the same time will inform about an additional period of performance. TEDOM is not bound by such a notice and is entitled to withdraw from the contract (order) without prejudice to the right to damages and lost profits in whole amount (see paragraph above).

In the case of long-term repeated supplies of goods, Seller is obliged before the start of production to obtain the prior written consent of TEDOM to any changes in the composition of the processed material or design to the earlier of deliveries of goods.

VI. THE GUARANTEE PERIOD, THE APPLICATION OF THE LIABILITY FOR DEFECTS - CLAIMS

Unless otherwise agreed, Seller undertakes to provide to TEDOM a guarantee period for the subject of the execution of supply of **24 months** from the date of delivery. If the subject matter is the implementation of a part-supply by TEDOM to another entity, the guarantee period will run from the date of putting into service or date of delivery of this supply to another entity. In this case TEDOM is obliged to prove to Supplier the date of its putting into service or the date of delivery of the shipment to another entity (if required).

The total guarantee period, however, is not more than **36 months** from the date of delivery of the goods by Seller to TEDOM.

In the case of determination of defects when the goods or services are handed over, TEDOM is obliged to notify the defects to Seller without undue delay. Seller will provide the removal of defects by replacing defective products with new ones without defects, by delivery of missing goods or by correction of goods according to the prior agreement between TEDOM and Seller. TEDOM is entitled to withdraw from the contract if the defective performance is a gross violation of contract according to Art. XII of these GPC.

In the case of complaints in the guarantee period, Seller is obliged to confirm receipt of complaints to TEDOM within **3 days** from the receipt of complaints, to send to TEDOM a written statement of complaints within **10 days** from the receipt of the request, to remove defects of the subject of complaints within 30 days from the receipt of complaints. If Seller is not able to remove the defect in the subject of the complaint within **30 days** from this receipt of complaints, he is required to deliver a replacement. By mutual agreement of the parties, the corrections (the removal of the disagreements on the subject of the complaint) can be made at the TEDOM's workplace by the representatives of Seller or by TEDOM at Seller's cost. In exceptional cases, by agreement of the parties, it is possible, for the duration/solving of the complaint, temporarily lend other fully functional goods.

If Seller is unable to provide a replacement and TEDOM has already paid for the subject of complaints, the price will be returned to TEDOM in the range of performance within **7 days** after receipt of the defective goods by Seller.

Seller is obliged to pay to full extent all costs associated with the legitimate management of complaints to TEDOM. The contractual penalty does not affect the right for damages and lost profits in whole amount. Damages and lost profits might reach up to multimillion-euro amounts as the goods is mainly used in CHP technology.

VII. LEGAL DEFECTS OF GOODS

Seller will guarantee that the delivery and the use of goods/services (the subject of the performance) and practices used in their manufacture do not infringe the rights of third parties.

VIII. TRANSPORT AND PACKAGING, THE LIQUIDATION OF OLD GOODS

Seller is obliged to send the goods in such packaging, which guarantees adequate protection against damage during transport and storage in suitable premises of TEDOM.

According to Art. 10 par. 3 Act No. 185/2001 Coll., Law on waste, Seller is obliged to ensure the adequate information about the way of using and about liquidation of parts of goods that have not been used, in documentation related the goods, at packaging of the goods, in user manual or by another suitable way .

IX. THE SUBJECT OF THE PERFORMANCE - GOODS BY DATA, DRAWINGS AND MODELS OF TEDOM

All information disclosed by TEDOM to Seller related the order (contract) are considered to be confidential information according to Art. 1730 par. 2 Act No. 89/2012 Coll., of the Civil Code.

The goods manufactured or supplied by Seller according to the data, drawings or models of TEDOM and special equipment, dies, or other similar articles intended for their production, must not be supplied to third parties by Seller without a prior written consent of TEDOM.

The same will apply if Seller arranges special equipment, dies, etc. at his own cost, or if TEDOM refuses to accept the goods due to delayed or defective deliveries or if TEDOM refrains from contracting for the supplies although the shipment was delivered properly.

If improvements come about at Seller's, in the context of the implementation of the subject matter of the contract, TEDOM will have

non-exclusive user rights to the industrial use of the subject of improvements and any related rights free of charge. Seller is obliged to the obtain prior written consent of TEDOM to joint usage, changes or to the destruction of special equipment or tools produced according to the data, drawings or tools bound to goods manufactured according to the data, drawings or models of TEDOM.

Models, designs, drawings, technical changes or material of any kind which TEDOM gave to Seller in connection with the contractual relationship will remain at all times the property of TEDOM and are subjects of his business secrets. Seller will not be allowed to use the models, designs, drawings or other technical documents of TEDOM himself or provide them to a third party.

Immediately after the request Seller is obliged to return provided the models, designs, drawings or other technical documents or copies to TEDOM.

In violation of the above provisions provided by Seller, TEDOM has the right to charge Seller a fine agreed in specific cases of individual orders (contracts). The contractual penalty does not affect the obligation of Seller to release to TEDOM everything that has been reached regarding this matter without prejudice to the right to damages if occurred by such an act of Supplier.

X. RIGHT OF OWNERSHIP OF GOODS AND THE RISK OF DAMAGE TO THEM

TEDOM takes title to the goods upon handover of the goods, at the same time the risk of damage to them passes on TEDOM.

XI. FORCE MAJEURE

Contracting Parties consider as cases of force majeure those unusual circumstances (e.g. a natural disaster, changes in laws, etc.), which inhibit temporarily or permanently the performance of the obligations laid down by the Contract, which occur after the entry into force of the Contract, which have a direct influence on the subject of the performance of the contract, and which could not be foreseen or warded off neither TEDOM nor by Seller.

The Contracting Party which cannot perform the contractual obligations due to this force majeure will immediately inform the other Contracting Party about the beginning of such circumstances, and will submit them to the documents, or inform the other party that these circumstances have a substantial impact on the performance of contractual obligations. In the case of force majeure which continues for more than **90 days**, both of the Contracting Parties are obliged to discuss an amendment to the Contract.

XII. WITHDRAWAL FROM THE CONTRACT

TEDOM has the right to withdraw from the contract in the case of a gross violation of the agreed conditions unreservedly.

Agreed conditions for a gross violation will be deemed to be:

- a delay in delivery of more than **7 days**
- a delivery of a defective performance in the range of defects exceeding **10 %** of the volume of the delivery
- a violation of Seller's obligations according to Art. VI GPC

In the case of withdrawal, TEDOM returns only that part of the performance, which it is technically feasible to return. Seller is entitled to get an aliquot part of the purchase price less **10 %** for unreturned part.

XIII. 2nd PARTY AUDITS – BY CUSTOMER

TEDOM is entitled to carry out the customer's audit at Seller with aim to prove keeping of processes that guarantee sustainable quality of delivery of goods as well as to prove meeting processes according to Environmental Management Policy. Seller is obliged to let TEDOM perform this audit within 10 days from the date of announcement of intention to provide this audit.

XIV. JURISDICTION

Any disputes arising from this contractual relationship will be decided by the competent court of the Czech Republic according to the laws in force in accordance with all the documentation, which was drawn up in connection with the business case. The contractual relationship will be governed by the law of the Czech Republic. Any disputes will be resolved by conciliation on a priority basis, in the event of failure by an action before a competent court of the Czech Republic according to the headquarters of TEDOM.

Date:

On behalf Seller

Name, Position, Signature