

GENERAL BUSINESS TERMS AND CONDITIONS OF HŽP a.s.

(Updated on: 27 March 2020)

I. General Provisions

1. These General Business Terms and Conditions (hereinafter referred to only as the "VOP") are general business terms and conditions in the sense of Provision 1751 et. seq. Act No. 89/2012Coll., of the Civil Code. The purpose of the VOP is a detailed amendment of the obligations arising from agreements between the Seller - HŽP a.s. and the Buyer – legal or physical entity, during the sale of Goods and provision of services related to the sale of Goods.
2. The VOP together with specific sales' terms and conditions, which are included in the General Agreement, the Purchase Agreement and Order Confirmation (hereinafter referred to only as the "Agreement", represent the complete agreement of the Contracting Parties regarding the terms and conditions of sale and replace all terms and conditions proposed by the Buyer to date and all previous verbal or written provisions. If the arrangement of the Contracting Parties is different in the Agreement than the VOP, the arrangements in the Agreement have precedence over the VOP.
3. The VOP are binding for the Contracting Parties from the day the Agreement is entered into if the relevant Agreement contains written reference to the VOP and the VOP will be attached to the Agreement or the Buyer confirms that he acknowledges the content of the VOP in the Agreement.
4. Any changes or amendments to the VOP and any changes, modifications or amendments to the Agreement may be done in a written form only, following previous approval by both Contracting Parties.
5. Every information stated in the Agreement and any information, documents, and other documentation provided by the Seller to the Buyer in relation to the Agreement, which are not commonly available, are subject to the Seller's business secret (hereinafter referred to only as "Confidential Information"). The Buyer undertakes to not use this Confidential Information for his own needs, in breach of the purpose of the Agreement and shall not provide them or enable access to any third party without the Seller's previous consent.
6. If the Buyer fails to fulfil any of his Contractual or legal obligations, the Seller may either insist on its compliance or withdraw from the Agreement. In both cases, the Seller is entitled to compensation for property damage incurred.

II. Packaging

1. If the Contracting Parties do not agree on a different packaging method, based on the Buyer's request, the Seller undertakes to pack the Goods according to regular habit for this type of delivered Goods, suitable for shipping and transporting the delivered Goods, otherwise, in a manner to keep the Goods protected, ie. industrial packaging pursuant to Act No. 477/2001 Coll., about packages and some amendments to the Act - Packaging Act, amended.
2. Unless the Seller and the Buyer agree otherwise, the packages are non-returnable and remain at the disposal of the Buyer (the Buyer becomes the owner of the package upon receipt of the Goods), except for packages where the Contracting Parties have agreed on the terms and conditions of return to the Seller. If an agreement about returning the packages was entered into, the Seller remains the owner of the package for the period this package remains at the disposal of the Buyer. The Buyer is responsible for damage to these packages.

III. Storage conditions with the customer

1. This part provides storage conditions for painted coil and leaf springs with the customer. The springs must be treated in compliance with the purpose of their application. All painted products of the company HŽP must be stored under the below-stated conditions. The existing storage conditions are binding and their violation results in termination of the surface protection warranty.

a. Storage conditions for packed products (transport packaging):

These products must be stored indoors in a room with no exposure to precipitation (snow, hail, rain, ice, etc.) or to any other source of water / humidity (e.g. water mist from other devices). Air humidity must be kept between 0 and 60%. Further, products must not be exposed to direct sunlight and UV radiation. Products must also be stored in the temperature range of 5 – 25 °C.

The packaging serves, among others, for protection against water leaking inside the packaging and consequent damage of the painted system. It is necessary to keep the packaging integral and prevent it from any damage (e.g. by accidentally penetrating the top or bottom foil or stretch foil). It is necessary to minimize the time spent outside of the suitable storage premises (handling between the transport vehicle and the storage space), especially in case of unfavourable climatic conditions.

In the event of breaching these conditions, the products might be devalued, i.e. occurrence of blisters on the surface of the varnishing system.

b. Storage conditions of non-packed products:

We recommend storing these products under the roof. There must not occur a sudden change in the surrounding temperature within a short period of time. In case of this type of storage, humidity or temperature of air have, practically, no significant impact on the service life of the painted system but no part of the product may be submerged in water, snow or ice. These products may not be, in any case, stacked or must not be in touch with sharp or abrasive objects, otherwise there is risk of mechanical damage of the surface protection.

In the event of breaching the above-mentioned storage conditions, the storage provider does not have the authorization to raise a claim against the producer.

IV. Price and Payment Terms and Conditions

1. The agreement about a higher purchase price of Goods and the method of determining the purchase price is necessary for the establishment of the Agreement.
2. The price of Goods stated in the Agreement does not include Value Added Tax (hereinafter referred to only as "VAT"). The Buyer undertakes to pay the price of the Goods after the price is relevantly increased by the current VAT rate. This does not apply if fulfilment is realized in the transferrable tax obligation regime. The Buyer is obliged to declare the VAT.
3. The Seller is entitled to increase the purchase price of the Goods if there is a significant increase of any decisive production costs essential for the production of the Goods, ie. especially a change in the price of steel, iron, iron scrap, metal additives, components, paints, energy, fuel or shipping. This applies anytime during the course in which the price is negotiated, including the period following the Seller's proposal of the purchase price (ie. offer) until the period the Goods are delivered. The Seller undertakes to inform the Buyer of the modified increase of the purchase price in writing, supplementing proof of how this change of price was calculated.
4. The Seller is entitled to charge the purchase price of the Goods based on an invoice to the date of tax fulfilment, ie. to the date the Goods were delivered.
5. The Buyer undertakes to pay the purchase price of the Goods onto the Seller's account as stated on the tax document within 60 days of issuing the invoice, unless another payment due date is negotiated in the Agreement. The Buyer undertakes to claim justifiable objections regarding the content of the issued tax document within 5 days of receiving the tax document, at the latest. If the Buyer does not make any claims during this period, it is understood that the Buyer agrees with the issued tax document.
6. The payment date is understood as the day, when the amount equalling the purchase price is credited onto the Seller's bank account.

7. If the Buyer is in delay of fulfilling any financial debt or any part of it, the Seller is entitled to request interest from delay of payment in the negotiated amount of 0.1% of the owing amount for every day in delay.

8. The Seller is entitled to request a deposit for payment of the purchase price for the Goods. The Seller shall issue a deposit invoice, which will be payable within the deadline specified on the deposit invoice. The Seller is further entitled to request the Buyer for acceptable assurance of debt (document accreditation, bank guarantee, collateral by another subject, the issuance of a promissory note or bank promissory note, lien rights or another suitable assurance) upon entering into the Agreement. If the Buyer fails to comply with this request within the agreed upon period, the Seller is entitled to suspend the production / shipment of the Goods or the Seller has the right to withdraw from the Agreement.

9. If circumstances arise or if the Seller obtains information about circumstances, indicating that the Buyer is or may become incapable of paying his debts towards the Seller or other information, which could decrease the Buyer's credibility (poor financial situation, bankruptcy, circumstances proving excessive debt, poor payment ethic, delay of payment by more than 30 days, etc.), the Seller is entitled to ask the Buyer to immediately pay all financial debts arising from invoices that have already been issued, regardless of the invoice due date and / or request the Buyer for sufficient assurance of the debt, within the range pursuant to point 9, Article III of the VOP. The Buyer undertakes to comply with the Seller's request within 5 days of receiving the request, at the latest. The Seller is also entitled to request for advanced payment of all unfilled delivered to date, regardless of the pre-negotiated payment terms and conditions, otherwise, the Seller shall withdraw from the Agreement.

10. The Seller is not obliged to deliver the Goods, has the right to suspend the production of already ordered Goods or is entitled to withdraw from this Agreement or apply other rights of this VOP if the Buyer fails to comply with the payments terms and conditions for paying any financial debt towards the Seller, if the Buyer does not provide the Seller with sufficient assurance of debt, or does not fulfil other obligations pursuant to this Article of the VOP. Such actions of the Seller is not considered as breach of the Agreement or delay of delivering Goods by the Seller.

11. The Buyer is not entitled to advance any of his debts incurred from this Agreement or in relation to it to another subject, on behalf of the Seller. The Buyer is also not entitled to arrange the right to suspend the right to assure his debts or the debts of a third party without the Seller's previous written consent. The Buyer's breach of these obligations is subject to a Contractual Fine of 20% of the nominal value of an unjustifiably advanced or suspended debt. The Buyer is also not entitled to unilaterally include the debt towards the Seller.

V. Delivery Terms and Conditions

1. Unless otherwise agreed upon in the Agreement, the Seller fulfils his obligation to hand over the Goods to the Buyer (ie. the obligation to deliver the Goods) by delivering the Goods in compliance with the content agreed upon in the delivery clause based on INCOTERMS 2010. The Seller marks the Goods clearly and sufficiently as shipment for the Buyer. The risk of damage to the Goods (ie. the risk of loss and damage) is transferred to the Buyer based on the content negotiated in the delivery clause based on INCOTERMS 2010.
2. The Seller delivers the Goods during the period negotiated in the Agreement as timely fulfilment. The Seller is entitled to deliver the Goods in advance if the Buyer does not refuse such a delivery, after the Seller informed him about the fact that the Goods are ready for shipment. The Buyer is not entitled to request for advance delivery of Goods.
3. The time of fulfilment may be adequately extended by the Seller by the time necessary to remove obstacles disabling / complicating the Seller's fulfilment. The Seller shall immediately inform the Buyer of these facts and undertakes to make the utmost effort to quickly remove these obstacles. If the producer terminates production of Goods at the end of the period agreed as timely fulfilment, the Seller is entitled to deliver the Goods within 10 calendar days following the approval of the timely fulfilment, at the latest, without making the Seller in delay of delivery.
4. The Buyer undertakes to inform the Seller about terminating the collection of Goods and product design changes at least 3 months in advance. If the Buyer fails to do so, the Seller is entitled to compensation for damages incurred (warehousing material and others).
5. The Seller also has the right to extend the time fulfilment by the period in which the Buyer is in delay of fulfilling his financial debts towards the Seller. This also applies to other Agreements.
6. The Seller has the right to realize partial delivery of Goods and the Buyer undertakes to take over the partial delivery.
7. The Seller's imperative condition for shipping the Goods is also the proper payment of all payable financial debts of the Buyer from all contractual relationships. If the Goods are ready for shipment and the Seller will not be obliged to deliver the Goods due to reasons on the side of the Buyer (see Article III. of the VOP) or due to other negotiated or legally defined reasons and the removal of these shortcomings preventing shipment does not occur during the expedition period, the Seller is entitled to apply a contractual fine in the amount of x% of the value of the purchase price.
8. The Buyer undertakes to immediately inform the Seller in writing about any changes related to his tax identification (VAT number), a change to the regime of VAT registration (payer - non-payer). If the Buyer breaches this obligation, the Seller is entitled to request

for compensation of all property damages incurred to the Seller as a result of paying VAT, paying sanctions or other fulfilment of the tax administrator.

9. The Buyer undertakes to pick up the ordered Goods at the Seller's warehouse in the agreed upon time. If the Buyer fails to do so, the Seller is entitled to ask the Buyer to pay costs related to storing the Goods.

VI. Ownership Rights to the Goods and Prohibition of Re-export

1. The Goods remain in the Seller's ownership until the purchase price of the Goods, including VAT, is paid (so called "reservation of ownership").

2. The Buyer is entitled to sell or process the Goods and the reservation of ownership rights within common business activities only, under common business terms and conditions and if the Buyer is not in delay of payment, however, under the assumption that he warns his customer about the existence of reservation of ownership upon selling these Goods. The Buyer is not entitled to make other dispositions with these Goods, particularly, establish a lien right to the Goods or provide other assurance in favour of a third party.

3. If the Buyer is in delay of paying the purchase price for the Goods, the Seller is entitled to ask the Buyer to immediately issue these Goods and the Seller is entitled to pick the Goods up at the place of storage by virtue of the reservation of ownership right. The Buyer undertakes to enable the Seller to pick the Goods up and provide all necessary cooperation. All costs related to the application of the reservation of ownership right are incurred by the Buyer.

4. The Buyer is entitled to export the Goods outside the EU with the previous written consent of the Seller only. The Buyer must inform the Seller in advance and in writing, if the Buyer exports the Goods outside the EU and re-imports them into the Czech Republic. The Buyer must inform the Seller of his plans regarding export or re-import upon entering into this Agreement, at the latest. If the Buyer breaches this obligations, this breach is subject to a contractual fine in the amount of 20% of the purchase price of the Goods (excluding VAT), which was unjustifiably exported outside the EU, to another EU country or re-exported back into the Czech Republic. The contractual fine does not affect the Seller's entitlement to compensation for property damages incurred.

VII. Force Majeure

1. If during the course of the contractual relationship, an unusual, unexpected and insurmountable obstacles occurs that is unrelated to the Contracting Parties, yet temporarily or permanently prevent any Contracting Party from fulfilling the obligations arising from this Agreement, the Contracting Parties undertake to immediately inform one another in writing about these obstacles and the expected period of its duration and agree on next steps. The Contracting Parties understand these "obstacles" to also include circumstances of Force Majeure, particularly, a strike, a war, a natural disaster, like a fire, a flood, an earthquake, a lightning strike, arctic freeze disabling or restricting the delivery of Goods, etc., a delay in delivery of material or components that is not caused by the Seller, traffic jams or delays, theft of Goods during shipment, accidents to production equipment or another part and similar events of Force Majeure, including the decision or instructions of the relevant state authorities, which restrict or disable the fulfilment of Contractual obligations. The Contracting Party subject to Force Majeure is not responsible for delay in fulfilling Contractual obligations resulting in Force Majeure.
2. If obstacles resulting in Force Majeure last longer than 30 calendar days, the Contracting Parties undertake to fulfil their obligations arising from this Agreement once the effects of Force Majeure subside, given that the delivery time and all other terms and conditions are shifted by the period the Force Majeure was in effect. Both Contracting Parties have the right to withdraw from this Agreement if the obstacles resulting in Force Majeure last longer than 30 calendar days.

VIII. The Rights from Defective Fulfilment - Claims

1. The Seller undertakes to deliver the Subject Matter of the Goods in the negotiated quantity (weight), quality and design according to the technical specifications stated in the Agreement and technical conditions approved in another document by the Contracting Parties. If there is no defective fulfilment and the Goods are considered as properly delivered, if the quantity (weight) or quality of the delivered Goods corresponds with the acceptable deviation tolerance arising from this Agreement, the VOP, the technical terms and conditions, valid norms and other generally binding regulations.
2. The Buyer undertakes to check the Goods and convince himself of its properties and quantity immediately after the delivery.
3. The Seller undertakes to provide the Buyer with a warranty for the quality of the Goods for a period of 24 months from the day the Goods are delivered, unless the Agreement specifies another warranty period.
4. The Buyer undertakes to immediately inform the Seller of apparent defective Goods that could be detected during inspection upon the delivery of the Goods, however, no later than 15 days after the delivery of the Goods. The Buyer undertakes to inform the

Seller of other defects immediately upon detection, however, no later than by the end of the negotiated warranty period.

5. All claims for defective Goods must be in writing and must include the identification information of the claimed delivery (Agreement number or order confirmation, date of delivery, transport document number, melting number, invoice number, etc.), a description of defects detected with proof of defects. The Buyer undertakes to allow the Seller access to the claimed Goods for the purpose of verifying the justification of the claim.

6. The Buyer undertakes to ensure the separate storage of the claimed Goods until the claim is settled. The free handling of the stated Goods, which would disable or complicate the settlement of the claim is not permitted without the Seller's previous written consent. If the Buyer breaches the obligation and also disallows the Seller to verify the existence of the defect, or does not allow access to the Goods, shall not provide the Seller with a sample of the claimed Goods upon request and fails to provide sufficient documentation related to claim within the period defined by the Seller in order for the Seller to be able to calculate the adequate dismount of the purchase price, these facts are reasons for denying the claim and result in the Buyer losing his entitlement from defects of the delivered Goods.

7. Immediately after the Seller obtains the Buyer's claim, the Seller undertakes to commence claims investigation, so that the Seller could inform the Buyer about his opinion regarding the claim within days of obtaining the claim, at the latest. In case of a justifiable claim, the Seller undertakes to provide a discount from the whole purchase price or provide new, defect-free fulfilment for the originally agreed upon terms and conditions and remove the defect in the agreed upon period. The Seller undertakes to inform the Buyer of his choices, upon stating his opinion to the claim.

8. Claiming defective Goods does not authorize the Buyer to suspend (retain) payment of the purchase price of the Goods or refusal to receive other deliveries of Goods. The Buyer's entitlements due to defective Goods cease, if the Buyer does not report the defects in the negotiated time and manner.

9. The Seller is not responsible for defective Goods caused by wear and tear due to unusual use or using the Goods in conflict with the intended purpose, as defined in the Agreement or the documentation related to the Goods.

10. If the Buyer incurs damages as a result of a breach of any one of the Seller's obligations arising from this Agreement (for example, also as a result of a defective delivery of Goods), without the effects of Force Majeure excluding the Seller's responsibility, the Seller will only be bound to pay the real, justifiable property damage, not payment for lost profit. however, not more than 100% (one hundred percent) of the Purchase price of the Goods. If there is damage incurred as a result of the Seller's breach of any obligations towards the Buyer, so the Seller's total liability for damages incurred

to the Buyer, it will definitely not exceed 100% (one hundred percent) of the total purchase price.

IX. Withdrawal from the Agreement

1. The Seller is entitled to withdraw from the Agreement:
 - a. if the Buyer is in delay of paying the purchase price by at least 30 days;
 - b. if the Buyer did not provide the Seller with the necessary cooperation, despite the Seller's repeated requests;
 - c. if the Buyer breaches the Contractual obligations arising from this Agreement and the VOP;
 - d. pursuant to Article III. Point 9 of this VOP;
2. The Buyer is entitled to withdraw from the Agreement:
 - a. if the Seller is in delay of delivering the Goods by at least 60 days, without any previous notification.

X. Final Provisions

1. If any provisions of the Agreement or the VOP becomes invalid, ineffective or some provisions are missing, be it regarding the valid legal code or its amendment, this does not affect the validity or effectiveness of the other provisions of this Agreement or the VOP. The invalid or ineffective provision is replaced by a relevant, generally binding legal regulation, which most accurately represents the intended purpose of the VOP. If such a provision is not in the legal regulation, the method of resolution common for business relationships applies. In such a case, both Contracting Parties undertake to conclude an appendix to this Agreement, which will include the new provision, which will most accurately correspond with the invalid or ineffective provision.
2. All disputes that may arise from this Agreement and in relation to it will primarily be resolved by the Contracting Parties by mutual agreement and amicably. If an amicable settlement of this dispute is not reached, all disputes arising from this Agreement, the VOP and in relation to it will be resolved, with final validity, by the Arbitral Court of the Economic Chamber of the Czech Republic and the Agrarian Chamber of the Czech Republic, based on its Code, by one arbitrator, who is appointed Chairman of the Arbitral Court. The arbitrator shall deliver his enforceable decision to both Contracting Parties.
3. The provisions of the Arbitral Clause according to Point 2 of this VOP Article does not apply if, based on the Agreement, the Buyer is a subject with headquarters in the

Czech Republic. In this case, the competent courts are used to settle any disputes pursuant to Act No. 99/1963Coll., of the Civil Code, amended, given that the local jurisdiction will be determined based on the address of the Seller.

4. The Buyer bears the risk of change of circumstances after the Agreement is concluded. As a result, the Buyer is entitled to claim rights stated in provisions 1765(1) of Act 89/2012Coll., of the Civil Code, amended.

5. Legal relationships arising from this Agreement or in relation to it, as well as matters not clarified in the VOP, shall be governed by the Czech substantive law, particularly Act No. 89/2012Coll., amended.

6. The Contracting Parties exclude the application of the UN Convention about international purchase of Goods agreements (the Vienna Convention).

7. The Contracting Parties have agreed that mutual communication will be in written form, either by e-mail or registered post.