

General Business & Contract Conditions of GEARTEC.CZ

PART I: General Business Conditions

The following General Business Conditions supplement existing laws and form the basis for delivery and other business/commercial agreements of **GEARTEC.CZ (supplier)**.

Any deviations to these General Business Conditions shall only be effective if the supplier has confirmed such deviations in writing.

I. Contract Completion

The General Business Conditions come into effect upon written order confirmation of the supplier. Quotations of the supplier or its official representatives are also a subject to a written confirmation.

The written order confirmation represents the complete agreement between the buyer and the supplier and supersedes any additions, modifications, or oral agreements unless they have been confirmed in writing by the supplier.

The supplier reserves all rights with regard to cost estimates, drawings and other documents. They may only be provided to third parties upon written authorization of the supplier.

In case none of the Terms of payments (Chapter 7) and/or the existence of our written order confirmation is accepted / approved by both parties, we keep the right to deny the order completion whatsoever.

II. Prices

- A) A quoted price is only valid upon written order confirmation of the supplier and exclusively covers the order details as specified in the order confirmation. Unless another agreement has been reached in writing, the prices quoted by the supplier are freight forward ex-works in Euro plus the added tax (if applicable) at the time of delivery.
- B) The buyer covers freight, postage, income customs fee(s), installation fee, packing charges as well as complete insurance (transport, theft and additional if required).
- C) If the buyer requests any changes to the scope of performance after an order confirmation has been issued, the buyer will be charged for the changes accordingly.
- D) Even if no order is placed, the buyer will be charged for drawings, tools, samples, and any other preparatory works initiated by the buyer. Consequently, these terms govern the time period prior to the placement of an order.

III. Delivery date and delivery defects

- A) The agreement on delivery and provision dates as well as deadlines is limited to the instruments in order and special measuring devices. All dates are considered estimates unless they are individually agreed upon and confirmed as binding in writing.
- B) Delivery time stipulated in the order confirmation shall commence no sooner than has the buyer fulfilled all obligations emerging from it (e.g. requested drawings, advance payments and so on).
- C) If fixed delivery deadlines have been agreed upon, they commence at the order confirmation has been sent and all documents, authorizations, and clearance as well as the stipulated deposit have been received by the supplier.
- D) If the ordered goods have left the plant or the shipping availability has been advised to the buyer on or prior to the agreed delivery date, a contracted delivery deadline will be considered fulfilled.
- E) In the event of collective action, in particular strike and lockout, or unexpected occurrences which are beyond the control of the supplier or a sub-contractor, a contracted delivery deadline may be extended if such an event can be demonstrated to have an influence on the determination or delivery of the ordered goods.

- F) If the manufacturing process or the delivery requires some actions of the buyer, the delivery deadline starts counting after the buyer has fulfilled all obligations.
- G) If the supplier exceeds the delivery deadline, the buyer is required to grant sufficient grace period, at least three weeks.
- H) If the delivery deadline and the respective grace period have not been met, the supplier is only liable for the invoice value of those goods which have not been delivered on the due date. This liability may not exceed the actual costs incurred by the buyer.
- I) If any penalty (ies) shall be applied, the maximal fee to be charged for exceeding the deadline and grace period may not exceed 5% of the complete order value.
- J) If the buyer requests a delay of the shipment, he will be charged the actual monthly costs or 0,5% of the invoice amount per month for storage of the goods at the supplier premises. The storage fee is charged beginning one month after the ordered goods have been advised to be available for shipment. The supplier is required to grant an appropriate deadline after which he has the right to use the ordered goods at his discretion and extend the deadline for the delivery to the buyer.

IV. Warranty

- A) The warranty time starts at the same day of the date of the final acceptance of successfully installed machine at the site of the buyer (or in contract specified place) and lasts for the agreed warranty period stated in the order confirmation.
- B) Newly manufactured goods are warranted for a period of one year. Used and reconditioned goods are warranted for a period of six months. Extension of the warranty period can be quoted and a subject of extra charge.
- C) The buyer is required to check the goods for defect upon delivery. Apparent defects have to be immediately reported in writing to the supplier but no later than one week (7 days) after receiving goods. If apparent defects are not reported, they are not covered by the warranty.
- D) The supplier has to be informed of other defects (if any) within one week (7 days) after detection otherwise these will not be considered defects.
- E) With regard to the statements from promotional material or errors in the operating instructions, the supplier only provides warranty for the products supplied and finally accepted by the end user.
- F) The warranty does not cover minor defects which do not affect the value, the suitability or usability of the goods to a major extent (indents on the painting, non-perfect surface status on parts not involved in measurements or could affect accuracy and so on).
- G) All wear-and-tear parts of the machine are not covered by standard warranty and the buyer is responsible for replacing them by himself.
- H) The supplier is authorized to make supplementary performances of his own choice. This means that he determines whether defective items should be repaired or replaced. If the supplementary performance fails, the supplier is authorized to repeat the supplementary performance.
- I) The buyer is only authorized to withdraw from the contract and/or claim damages after the supplemented performance has failed. Compensation of the buyer is limited to cases of gross negligence or intent on the side of the supplier. In any case, the compensation is limited to intended defects.
- J) In case of shipment operated by a standard courier service (like TNT, UPS, DHL and so on), the buyer is obliged to follow their instructions for checking if any damage occurred to the parcel during the transport. Apparently damaged parcels must be accepted and it is a must for the buyer to demand the immediate

return of the goods to the supplier. The buyer is requested to advise the supplier of such a case by an appropriate report along with the due damages report needed by the courier. It is recommended to take several pictures to illustrate the state/condition of delivered package.

- K) Software warranty follows the hardware warranty rules. If any need arises to change/restore software due to the supplier original fault, then an online service can be performed and, if needed, other way of repair could also be decided by the supplier engineers. The customer so obliged to set the needed mean of communication (Internet) up to help online service. This setting is entirely at the buyer's cost.
- L) Software cannot be transferred / sold / licenced to a third party without prior written agreement with the supplier. Doing so will terminate any remaining warranty.

V. Risk transfer

- A) At the latest, the risk is transferred to the buyer with the shipment of the goods, even if partial deliveries have been made, and even if the supplier is responsible for additional services, e.g. shipping costs, delivery or installation (as outlined in INCOTERMS 2010 rules).
- B) Should the shipment be delayed due to circumstances caused by the buyer, the buyer carries the risk from the date the goods were ready for the shipment. The supplier is required to obtain insurance coverage in these circumstances if requested and paid for by the buyer.
- C) Partial deliveries are acceptable.

VI. Breach of duty

- A) The liability of supplier is limited to gross or intentional breaches only.
- B) The buyer is required to check carefully for risk and danger all drawings, artwork or samples submitted by him to the supplier. In the case of faulty buyer's work, incorrect type, incomplete or incorrect drawings, and due to faulty specifications, the supplier is not liable for any defects caused by this error. However, the supplier has a duty to immediately inform the buyer of any recognized issues arising from drawings, artwork and samples received from the buyer.
- C) The supplier is not liable for infringing trademarks of third parties in the context of work performances following specifications of the buyer. The supplier is not required to verify the trade mark rights of third parties.

VII. Terms of payment

- A) Unless otherwise agreed, all invoices of the supplier are due without deduction(s) when they are issued and must be defrayed within 3 weeks after issuance in full.
- B) If no payment is received during the payment period, the supplier is authorized to charge an interest rate which exceeds the rate of 2% per month. Alternatively, the supplier may prove greater damages cause by delay at any time.
- C) Bills of exchange are not accepted.
- D) Payments are to be made by bank transfer to the appointed bank and follow the supplier instructions.
- E) Irrevocable letter of credit (L/C) can also be acceptable if and when a draft of the mentioned L/C is proved by the supplier in advance and if the conditions mentioned in the L/C meet the supplier's demands. The supplier is entitled to decline / refuse any L/Cs that are not in compliance with these General Business Conditions; such an action, however, does not harm or stop the contract.
Other payments method could be, case-by-case, agreed with the supplier management in writing.
- F) Any Bank Guarantee required against payment is not a preferred method of payment. In such case, we keep the right to rise the total price of potential contract by 4%; not negotiable.
- G) Commonly the payment splits are as follow:

- a. Measuring instruments
 - i. 50% deposit (advance payment) upon receipt of order confirmation
 - ii. 40% payment as soon as the buyer has been informed of ordered machine availability and/or after successful pre-acceptance tests held in the supplier premises. Payment must be done before shipment.
 - iii. 10% payment after successful installation of the ordered machine at a site of the buyer and/or after final-acceptance.
- b. Accessories
 - i. 100% payment after delivery
- c. Service(s), training, calibration
 - i. 100% payment after performance/execution
- H) If payment(s) of the buyer is overdue, the supplier is authorized to deny further fulfilment of the obligations arising from the contract.
- I) If any of the above-mentioned payments timing are overdue, it will affect the length of the delivery term.
- J) If there are any doubts as the ability of the buyer to comply with the payment terms, the supplier is entitled to ask for advance payments or sufficient guarantees. The buyer will be immediately informed in writing for any action requested.
- K) If the buyer refuses advance payments or guarantees, the supplier is entitled to cancel the contract with an immediate effect and claim for compensation.

VIII. Retention of title

- A) The supplier retains the ownership of the ordered goods until all payments arising from the contract have been received and all claims resulting from the ongoing business relationship with the buyer have been paid in full.
- B) The software licence(s) will be released definitely on receipt of complete payment.
- C) Only buyers with appropriate business establishments are authorized to resell or further process the goods within their lawful business operations. The buyer cedes all outstanding debts and associated ancillary rights which they are entitled to from the resale and the business relationships with their buyers in connection with the resale to the supplier as a guarantee for any arising claims. The retention of title also applies of the delivered item has been processed, composed, or connected. In that case, the supplier is granted the partial ownership of the newly created products resulting from the processing or the composition. The buyer is prohibited to dispose of the delivered item in any other manner. At the same time, the buyer is authorized and required to collect the receivables due to the supplier until the supplier revokes this authorization. The buyer is required to immediately inform the supplier upon request who purchased the goods and which claims arose from this sale.
- D) If the buyer delays a payment or violates his duties resulting from the retention of title, the supplier keeps the right to stake claims for the return of the purchased item and use the purchased item at his discretion after supplying a written notification with due notice and deducting the sales proceeds from the sales price.
- E) If the assets of the buyer are a subject to a foreclosure, and of the retained goods are seized, the supplier has to be notified and be provided with all the necessary information (executing authority, reference number), and the execution protocols if applicable.
- F) Items which the supplier has provided to the buyer and which are not part of the work performance (e.g. drawings, drafts, tools) remain the property of the supplier.

IX. Place of fulfilment and jurisdiction

- A) The place of fulfilment for all deliveries and payments is

Strojařská 2072, 25088 Celakovice, Czech Republic

- B) If the buyer is a business merchant, Prague shall be the exclusive venue for all legal disputes between the buyer and the supplier.
- C) These terms and conditions are a subject to and shall be governed and constructed in accordance with Czech law excluding the convention on contracts for the international sale of goods (CISG).
- D) Czech language is the only language acceptable for all legal disputes. Translation and interpretation to other languages must be managed and covered by the buyer at their own expenses.

X. Miscellaneous

In the event that one or several of the above provisions is or becomes invalid, the validity of the remaining provisions shall not be affected. Invalid provisions shall be replaced by such provisions which are valid and come closest to the commercial purpose intended by the buyer and the supplier.

Any other agreements or declarations of intent which affect the effectiveness of the contractual relationship must be in writing. This shall include any amendment to or modification of this form requirement.

English shall be the only language acceptable for official communication and agreed as understandable by all parties.

PART II: General Contract Conditions**1. Installation**

- A) Installation of the purchased machine shall only be carried out by the supplier personnel or their certified agents worldwide; otherwise the supplier will not bear any responsibilities for damages, inaccuracies and/or injuries that may occur. The supplier has the right to appoint his chosen personnel worldwide to execute the installation or services without any separate agreement with the buyer.
- B) Cooperation with local staff during the installation is generally required, mainly cooperation of electricians and maintenance personnel. The buyer has to assist the supplier's personnel with internal (within the company premises) transportation and manpower. Skilled and fully trained / certified personnel using the buyer's any means of transport are responsible, in the name of the buyer, of any incidental damage that may prejudice the right end of the installation / service. If the buyer does not accept this clause, the supplier will provide by themselves. In such a case, however, all costs will be duly charged to the buyer. Time needed for installation and preparation of the machine for operation may as a result increase significantly.
- C) Installation of the machine and setting it to working conditions is a process solely doable by the supplier personnel. It is not, therefore, appropriate to be observed by the buyer's staff (if not required by the supplier directly) until the machine is ready for hand-over procedures.
- D) If the machine installation could not be finished due to local insufficiency of power supply, compressed-air supply, environmental conditions failure(s) and lack of other needed conditions for proper machine installation, the installation will be terminated for such a period of time until all defects are removed completely. The buyer is responsible for elimination of such defects and will be charged for all well spent expenses to re-install the machine.
- E) Both basic training of the machine operators and optional advance training shall only be started when the machine is fully accepted.

2. Machine acceptance procedure

- A) Procedure of the machine acceptance (both pre-acceptance and final acceptance) by the buyer is held according to internal supplier's rules for such a procedure. If not stated in writing and confirmed in order confirmation otherwise, such a procedure is the only legitimate way of machine acceptance.
- B) Machine is to be first inspected on its geometry accuracy in accordance with Geometry Accuracy Report issued by the supplier.
- C) Machine measuring accuracy for all single flank inspection machines is to be inspected by measuring of master gear set by the supplier in terms of repeatability of measurement. Such a measurement is executed 25 times in a row from the same tooth without unclamping of the parts. In such a case, expected statistical value of c_m must be higher or at least equal to 1,33. Certification of measuring capability of the machine will accordingly be issued by the supplier. All double flank inspection machines is to be inspected by measuring of eccentric disc in a row of 25 measurements at least. In such a case, expected statistical value of c_m must be higher or at least equal to 1,33. Certification of measuring capability of the machine will accordingly be issued by the

supplier.

- D) Providing that the machine is not accepted by the buyer during the pre-acceptance, the supplier is provided with additional agreed time for putting the machine into such a condition to pass the pre-acceptance one again. Providing that the machine is not accepted by the buyer during the final acceptance at his premises, the machine will be locked and it will not be allowed to anyone to work / operate the machine in any way as long as all defects / reasons for not-acceptance are removed completely.
- E) Certification of final acceptance shall be issued by the buyer and provided with the supplier within two (2) working days in a written form after the day of the successful final acceptance.
- F) If not stated otherwise and confirmed in writing in the order confirmation, all machine documentation is electronic (in PDF or other relevant format) stored at one USB stick.

3. Software licence

- A) Any software delivered along with the supplier's machine and/or separately is a single-licence exclusively released for the either machine or separate installation.
- B) It is not allowed to transfer the licence from one machine to another without prior written agreement with the supplier.
- C) Updates / upgrades are a subject for additional charges unless the supplier agrees with the new release at their own expenses.
- D) The software is installed and located in a specific folder on the main hard-drive, any changes, delete and modifications of the files and of the folder's structure leads to an immediate termination of the licence without any right to free renewal and/or updates / upgrades.
- E) The buyer is entitled to make one backup of the software and/or complete copy the entire folder(s) for his own purposes just in case anything happens to the computer by the machine.
- F) If a remote service will be required to reinstall the software due to wrong actions by the buyer or main fault of the computer (already out from warranty), the service will be invoiced accordingly.
- G) The software is under Copyright protection. The buyer as well as the end-user (if it differs) is not whatsoever allowed to resell the licence or any part of the software to a third party. Such an action shall be considered violation of the supplier's rights and the supplier is entitled to take any legal measures he sees worth for his own interests.

PART III: Legal framework purchasing

I. Exclusive applicability

The provisions of this Framework shall be applicable exclusively for all relations between the Parties. Other, conflicting or deviating agreements, especially general terms and conditions of the two Parties (purchasing and shipment terms of GEARTEC.CZ and payment and delivery terms of the Supplier) are expressly not included in this Agreement even if not contradicted specifically when a declaration of intent (e.g. order, purchase order) is placed. The provisions of the present Framework shall be applicable even if GEARTEC.CZ accepts or pays for deliveries of products and/or services of the Supplier (hereinafter "goods and services") in full awareness that the Supplier's terms are conflicting with this Agreement or from GEARTEC.CZ's General Terms and Conditions.

Deviating or additional individual regulations to these framework conditions, must be agreed upon in a supplement/side letter with mandatory inclusion of the purchase by GEARTEC.CZ separately in writing or in text form. The same applies to subsequent changes. These individual regulations take precedence.

II. Passing of title

The title passes upon payment of the purchase price (simple reservation of title of the Supplier).

III. Invoicing and taxes

Invoices shall always be issued only in accordance with the agreement reached (e.g. upon first down payment; after a service has been rendered; after delivery has been made or after final acceptance).

Each invoice must comply with the local legal requirements at the domicile of the GEARTEC.CZ company that is the recipient of the delivery or service. Irrespective of this, the following minimum information must appear on the invoice:

- The full name and address of the supplying company
- The full name and address of the recipient of the service or delivery including the unloading point
- The tax number issued to the entrepreneur by the tax office or the VAT identification number
- The date of issue (invoice date)
- Invoice number
- The quantity and customary description of the delivery item or the type and scope of the other service.

Invoices must be sent exclusively by e-mail as an attached PDF document to the appropriate e-mail addresses

- info@geartec.cz
- martina.kucerova@geartec.cz

Sending to another e-mail address is not permitted. Invoice documents that do not meet these requirements will not be processed.

Invoices not containing the data set forth in this section or not complying with the above procedure may be rejected by GEARTEC.CZ at the cost of the Supplier. In that case, the payment term starts on the day a new, auditable and proper invoice meeting the requirements of this section is received.

IV. Right of retention

In case of non-contractual goods and services, GEARTEC.CZ is entitled to hold back the payment proportionately until due fulfilment. Acceptance without complaint or payment of deliveries, services, precursor material / product or an initial sample release by GEARTEC.CZ does not mean acceptance or acknowledgement as ordered.

V. Delivery dates

The date agreed for making the delivery or rendering the service is binding; default will commence without any further reminder or setting of deadlines.

If the Supplier realises that an agreed delivery date is unlikely to be met, it shall immediately notify GEARTEC.CZ in writing or

electronically, stating the exact reasons and the expected duration of the delay. In such cases, the Supplier shall take the necessary measures to meet the agreed delivery date or at least to keep the delay as short as possible. Furthermore, the Supplier shall inform GEARTEC.CZ what has been done in the individual case. If a delay threatens or has occurred, GEARTEC.CZ can demand measures of damage control from the Supplier and especially the selection of the fastest kind of transport, the Supplier being responsible for any additional costs.

VI. Payment terms

Each invoice meeting the requirements either for any down payment or final payment for the goods and services ordered by GEARTEC.CZ will be defrayed by bank transfers (T/T transfers) in 30 days after the end of the month in which the invoice was received.

VII. Warranty

The Supplier warrants that the Object delivered does not violate any third-party rights and the title is transferred free of third-party rights.

The goods and services shall be free from material defects and defects of title. They are free from material defects if they have the agreed quality and properties, are suitable for the intended purpose and correspond to the agreed technical specification / bid, the guidelines, standards and regulations, the safety regulations, the technical data, the CE as well as the recognized rules and state of the art of science and technology and are functional for the intended use. The Supplier shall ensure that the supplies and services comply with the national and international laws and regulations applicable in the respective sales markets.

The incoming goods inspection at GEARTEC.CZ is limited to transport damages visible from the outside and to determining compliance with the quantity and identify of the goods and services ordered on the basis of the delivery documents. Complaints arising during this process shall be reported immediately. The Supplier shall gear its quality management system and quality assurance measures to this reduced incoming goods inspection. If GEARTEC.CZ or a third-party (e.g. a customer) identifies other defects, these shall be reported to the Supplier in the ordinary course of business. In this respect, the supplier waives the objection of a belated complaint or examination.

If a material defect should come to light within 12 months after the passing of risk, the Supplier shall acknowledge that this defect existed even at the time risk passed, unless this is not possible given the type of the object or defect.

For defects rectified or parts of goods and services repaired within the period of limitation, said period of limitation starts to run again at the time the Supplier has completely fulfilled GEARTEC.CZ's claims for supplementary performance. Apart from that, warranty claims against the Supplier become statute-barred upon expiration of the warranty period which GEARTEC.CZ assumes vis-à-vis its customer at the earliest, if the item delivered is intended to come into possession of a customer of GEARTEC.CZ.

The Supplier shall pay for or reimburse any expenses incurred in connection with supplementary performance including any incidental costs such as disassembly and reassembly and possible detection and separation costs, transport costs, road charges, packaging costs, manpower and material costs.

If the Supplier does not begin rectifying a defect as soon as requested by GEARTEC.CZ, GEARTEC.CZ is entitled in urgent cases to repair the defect at the expense of the Supplier or to have such a repair carried out by a third party, in particular when fending off acute dangers or trying to avoid greater damage. Irrespective of the foregoing, small defects can be rectified by GEARTEC.CZ itself in fulfilment of its damage reduction obligation at the expense of the Supplier and at any time without having to be asked, without warranty obligation of the Supplier being restricted as a result. The same applies if unusually high damage is imminent.

VIII. Product liability

In the event that GEARTEC.CZ should be faced with claims under product liability, the Supplier further undertakes to indemnify GEARTEC.CZ against such claims if and to the extent the damage has been caused by a defect of the Object supplied by the Supplier. In cases of fault-based product liability, however, this shall apply only if the Supplier is actually at fault. To the extent the cause of the damage lies within the Supplier's scope of responsibility, the Supplier must show that it is not a fault.

IX. Jurisdiction

Any dispute arising directly and indirectly from the present Agreement including its Annexes which cannot be settled amicably by a dialogue between the parties shall be decided with binding effect by a court-of-law. The exclusive place of jurisdiction for the Supplier shall be the District Court of Prague.

The laws of the Czech Republic are the only ones applicable as a supplement to the provisions of the present Contract.