

General Purchase Conditions

Cegelec a.s.

Recorded in the Trade Register, held by Municipal Court in Prague,
Section B, insert 7605

1. Scope of validity

1.1. Contractual parties, that are in commercial relationship, have agreed that their Agreements concluded in future shall comply with the below general purchase conditions negotiated between them.

1.2. General Purchase Conditions (hereinafter GPC) are an integral part of each Agreement (hereinafter the Agreement only) on goods and services purchased by Cegelec a.s. (hereinafter the Buyer only).

1.3. Unless otherwise stipulated, all relations arising from the Agreement as well as from GPC are governed by the Civil Code and legal order valid in the Czech Republic. In case that the content of Agreement differs from the content of GPC, the stipulations of the Agreement take precedence over differing stipulations of the GPC.

1.4. The Agreement shall be in writing. All changes and annexes to the Agreement are only possible after a mutual agreement between both contractual parties and explicitly in writing.

1.5. Buyer's confirmation that he has already been acquainted with the GPC, because he received them in a written form, is sufficient for GPC to become effective.

1.6. Sales conditions of the Seller not explicitly approved by the Buyer in writing, are not effective.

1.7. Mutual relations not governed by the Agreement or GPC are governed by the stipulations of the legal order of Czech Republic, in particular by Act No. 89/2012 Coll. Civil Code as amended.

2. Commencement of the Agreement

2.1. The Agreement shall commence based on Seller's written confirmation of Buyer's order (of draft Agreement).

2.2. Any changes the Seller or the Buyer make in the order (in draft Agreement) before the signature of the Agreement do not constitute the commencement of the Agreement. In such case it is a proposal of changes and comments presented to the Agreement and the Agreement shall not commence until on the date of the receipt of an approval with the proposed change from the other contractual party.

3. Requisites of the Agreement

3.1. The Agreement shall commence in a way mentioned in par. 2 and when at least its subject, delivery time and price have been agreed upon. If the price is not mentioned by the Buyer in the order (draft agreement), the Seller shall propose it in the confirmation of the order (Agreement). Such purchase price approved by the Buyer shall be valid and shall become an integral part of the Agreement with the exception when the prices are mutually agreed in the Frame Agreement. They are valid until the change of the price attachment to this Frame Agreement.

3.2. Delivery time of deliveries is understood as a date when the goods or materials are delivered to the place stated in the order (draft agreement), delivery time of handing over at the disposal of the storehouse or factory is the date when the goods or material are ready for takeover or when they are properly packed and handed over for dispatch in compliance with the order. Dates of deliveries or handover to the Buyer's disposal shall be carefully met. The Buyer shall be informed in writing in case of delay caused by circumstances that exclude responsibility. It is inadmissible for the Seller to deliver the goods before the date given in the order – Agreement – without Buyer's approval.

The Buyer is entitled to ask the Seller before the delivery of goods for the change of delivery time.

3.3. The Seller is obliged to deliver the goods in the quantity given in the order – Agreement.

3.4. The Seller is obliged to inform the Buyer at least 7 days before the delivery of goods about the date of delivery.

The Buyer can inspect the first piece to be delivered at the Seller's site. The Seller is obliged to enable the Buyer access to the goods and provide him necessary cooperation in the inspection.

The Seller can properly deliver the goods even in case that the Buyer does not make the inspection

If the Seller does not fulfil any of the commitments mentioned in this paragraph, he shall pay the Buyer a contractual penalty in the amount of 4000,- CZK for each breach of the Agreement.

4. Packing and transport

4.1. If not otherwise stipulated:

- The deliveries are understood to Cegelec a.s. premises or to the destinations mentioned in the order CIP according to INCOTERMS 2000. All costs including packing are charged to Seller's account and are already included in the purchase price in accordance with the Agreement.
- In case of the EXW delivery condition the Seller shall provide packing at his account and transport of material from his „works“ at the Buyer's expenses under the most advantageous conditions. The Seller shall pay real costs and shall invoice them in the same amount to the Buyer.



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The Buyer can provide the transport if requested. The Seller is responsible for any damage caused on the delivery due to insufficient packing or loading made under improper conditions.

4.2. The Seller is obliged at his own expenses to pack the goods, to secure them or otherwise equip for the transport in a way explicitly stipulated in the Agreement. In case that the packing method and securing the goods for transport is not explicitly stipulated in the Agreement, the Seller is obliged to pack or secure the goods for the transport so that they could not be damaged or destroyed during the transport, loading and unloading.

4.3. Goods packaging shall enable their safe storing without loss of their quality. Legible Seller's and Buyer's designation, number of order, information about quantity and sort of goods according to marking and classification indicated in the Agreement have to be placed on the goods packaging on the visible place as well as instructions for the safe manipulation with the goods, i.e. particularly manipulation symbols for marking transport packaging and marking required by legal regulations concerning production, usage and other handling with such goods, e.g. legal regulation concerning dangerous and toxic stuff. Environment-friendly packaging of the goods shall be used.

It shall further contain information about the gross weight of the goods and dimensions of packaging marked with a label, colour or in another legible and visible way, except for the goods packed in such packaging (e.g. bags), where, by definition, no risk objectively threatens to the Buyer during the manipulation and the gross weight of which does not exceed 5 kg. The goods without the stipulated requisites on the packaging are considered defective.

5. Shipping documents

5.1. The Seller is obliged jointly with the goods to deliver documents that are explicitly stated in the order – Agreement. In case that such documents are not explicitly stated in the order – Agreement, the Seller is obliged to submit the Buyer all documents necessary for takeover, free handling, customs clearance and use of the goods, particularly the documents modifying technical conditions of the installation, operation and maintenance of goods. Such documents shall always be attached to the order in the required language. All shipping documentation including Quality Assurance and Completeness Certificates is an integral part of the delivery and without its submission the delivery is deemed incomplete.

5.2. On Buyer's request the Seller will hand over certificates of the goods to the Buyer stipulated in the Agreement or required by legal regulations for the subject goods (Conformity Declaration etc.).

5.3. Documents handed over by the Seller shall be in writing and perfectly legible. On Buyer's request the Seller shall deliver the documents recorded on information data carrier. The Seller shall cover all costs on shipping documents.

5.4. All costs incurred to the buyer due to Seller's late handover of proper documents shall be charged to the Seller, who is obliged to pay them.



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6. Quality and execution of the goods

6.1. The goods shall be delivered to the Buyer in the quality and execution explicitly stipulated in the order – Agreement. In case that the quality and execution are not explicitly stipulated in the Agreement, the Seller is obliged to deliver the goods to the Buyer in such quality and execution that fully complies with the purpose for which such goods are delivered and if such purpose is not agreed, for the purpose for which such goods are usually used. The goods shall comply with all technical requirements and technical and safety standards valid for the given type of goods, that is with both obligatory and recommending standards. The goods as well as parts used for their production shall be new, unused, undamaged and made of quality material.

6.2. The Seller is obliged to inform the Buyer about the country of the goods origin during the proper takeover of the goods at the latest.

6.3. All delivered welded parts shall be labelled with the name and number of drawing and unique identification number of product.

If stated so in the Buyer's order, the Seller (Maker) undertakes to perform production in accordance with standard range CSN EN ISO 15085, regulation of Czech Railways V 95/5 in the valid wording and in accordance with CSN EN ISO 3834-1,2,5. Before the project is closed, the Maker shall submit valid certificate that includes the stipulated welding method, scope of material thickness and group of material.

If requested, the Maker shall present valid certificate of welders who will weld the product, documents of inspection of the applied basic material – 3.1 and additional material – 2.2. During the performance of welding the Maker shall enable the Buyer to inspect the welding process in his premises and shall submit all necessary documents in accordance with the above mentioned standards and regulations to the person making the inspection.

6.4. The Buyer or third persons authorized by the Buyer are entitled in any time during the working hours directly to inspect whether the commitments of the Seller and of single suppliers are met in workshops where the goods are produced. The Seller will cooperate in the inspection.

7. Responsibility for defects – guarantee

7.1. The Seller guarantees that the subject of delivery fully complies with technical and quality indicators usual for the goods and stipulated in the agreement. Delivery note containing the number of order – Agreement and complete documentation necessary for the subject of delivery are a part of the delivery. If some of documents are missing, the delivery is deemed incomplete.

7.2. Obvious defects of the goods (i.e. defects detectable at the transfer of the danger of goods damage to the Buyer, e.g. evident damage of the goods or errors in quantity) shall be communicated by the Buyer to the Seller (hereinafter claimed only) at the personal takeover immediately, alternatively within 15 days

from the date of the transfer of the danger of goods damage onto the Buyer, alternatively within 15 days from the date of the transfer of the danger of goods damage to the Buyer (par. 2121-2125 of Civil Code).

7.3. Other defects of the goods shall be claimed immediately after they are detected, but by the end of the guarantee period but at the latest and in accordance with provisions of the Commercial code.

7.4. The claim shall be always in writing. The Buyer shall describe defects in the claim, or state how they are manifested.

7.5. The Seller shall provide guarantee with his delivery against any defects, as well as and construction, material, processing and assembly (if carried out by the Seller or his sub-suppliers) defects for at least two years starting either from the date of their provision or from the date of the assembly acceptance or completion of delivery in accordance with conditions of the order. During the guarantee period the Seller shall repair or replace any part that is found defective. After the defective part is brought into proper state, the guarantee period shall be provided as at faultless fulfilment. The guarantee period will be longer if so stated in the Buyer's order (draft Agreement). If Buyer's service vehicle is used in connection with the repair, the costs shall be recharged to the Seller.

7.6. The Seller is obliged to inform about the proposed method of removal the defects of the claimed goods. The Seller is obliged and declares that within the time period according to the Agreement, or within 24 hours from the receipt of the defect protocol, he will meet his commitment:

- to arrive at the place determined by the Buyer to inspect the goods and detect defects reported by the Buyer in the defect protocol and within this period to propose the Buyer a concrete procedure how the defects of goods will be removed, or
- to notify a concrete procedure to the Buyer through which the defects of goods will be removed with maximal effort, care and with technological terms being taken into account, including planned dates of the implementation of remedy measures taken at Seller's expenses.

7.7. A choice of the claim against liability for the goods defects as well as a choice of method how the goods defects are to be removed is explicitly up to the Buyer and is not bound by Seller's proposals. Regardless the nature of defect and seriousness of the breach of Agreement by the occurrence of defect the Buyer is always entitled :

- a) to request the removal of defects by replacement of the defective goods, delivery of missing goods,
- b) to request the removal of legal faults
- c) to request the removal of defects by repair of goods if they are repairable,
- d) to request adequate purchase price discount,



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e) to withdraw from the agreement.

f) to check the goods himself or via another person at Seller's expenses, with his approval or according to his instructions and to perform necessary operations to detect defects, to sort out, to repair or to ensure a substitute delivery, without any impact of such operations performed by the Buyer on the goods guarantee.

The Seller undertakes fully to pay such costs to the Buyer.

Regardless the selected claim the Buyer is entitled to bill the Seller a lump sum compensation in the amount of 1000,- CZK for exercising any right from liability for defects.

The lump sum compensation is due within 30 days from the date of delivery of its statement to the Seller.

7.8. The Buyer is not obliged to pay the Seller the purchase price of the defective goods that has not been yet paid until all defects of the goods are removed.

7.9. If an identical defect occurs at more than 10 % of the total amount of the delivered goods of the same sort, such defect is deemed a type defect (all delivered goods are deemed to be defective). The expired guarantee period at some of the goods does not prevent from exercising the right from liability for damage.

If the Buyer does not determine other claim than that according to par. 7.7 of these Purchase Conditions, the Seller is obliged to provide the Buyer at his own expenses with an entire replacement delivery of goods per the Agreement. In case that the Seller does not fulfil his obligation, the Seller is entitled to withdraw from the Agreement.

7.10. If the Seller does not settle the claim or is in delay with the settlement of the claim, he will pay a penalty to the Buyer in the amount of 0,1 % for each day of delay starting from the date of the claim receipt.

8. Invoicing and payment

Invoices can only be issued for ordered and delivered goods and only if the Seller fulfilled his obligation to deliver the goods in accordance with the Agreement including the delivery of technical documentation per item 5.1. Invoices shall be paid by bank transfer to the account of the Seller within 90 days at the latest after the Buyer receives the invoice from the Seller. Invoices shall be sent directly to Buyer's financial department EOE-U. Apart from common data the Seller's invoice shall contain entire reference to the subject order, otherwise it will be returned to the Seller for correction and the maturity period of the invoice will start after the corrected invoice is received from the Seller.



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9. Rejection of delivery

If the delivery is not in compliance with the order, the Buyer reserves the right to reject it and

- to request a compensation delivery or a repair of the rejected delivery or its part within the time period determined by the Buyer,
- to have the project implemented by a third party of his own choice,
- to keep the delivery at a reduce price based on the agreement with the Seller,
- to declare that he completely or partially cancels the order.

Whichever of the above possibilities the Seller selects to refuse the goods, all related expenses and risks are charged to Seller's debit.

If the Buyer's Client calls the quality of the delivered goods into question and such non-quality is caused by the Seller's delivery, the Buyer may suspend further deliveries, or cancel the delivery of goods with which the Buyer's Client is not satisfied.

10. Know-how

10.1. All technical and other documentation delivered by the Buyer to the Seller remains Buyer's exclusive possession. All technical and other solutions and procedures covered in the technical documentation are subject of Buyer's exclusive possession. The Buyer does not give any rights to the Seller related to the intellectual property.

10.2. The Seller is not entitled to publish the documentation delivered by the Buyer or make it accessible to any third person. The Seller is entitled to use the documentation only in connection with the delivery of the goods for the Buyer.

10.3. The Seller undertakes not to publish another documentation not stated under par. 10.1, particularly the documentation developed by the Seller for the purpose of the fulfilment of Agreement, in the development or financing of which the Buyer shared, nor to make it accessible to or to use in favour of any third person.

10.4. After the execution or termination of the Agreement the Seller is obliged to hand over the documentation according to par. 10.1 and 10.3 free of charge to the Buyer, to transfer the proprietary right to the documentation to the Buyer and to destroy all potential copies the Seller made for the purpose of fulfilment of the Agreement.



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10.5. If the Seller does not fulfil its obligation as per par. 10.2, 10.3 or 10.4 of these GPC, the Buyer is entitled to claim the payment of contractual penalty in the amount of 100 000,- CZK for each single infringement of this obligation, even repeatedly. When the contractual penalty is paid, the obligation as per par. 10.2, 10.3 or 10.4 of the GPC does not cease.

11. Compensation for loss, contractual penalties

11.1. In case that the Seller does not meet the time of fulfilment stipulated in the Agreement, he shall pay the Buyer contractual penalty in the amount of 0,04% of the price of not delivered goods for each day of delay or early fulfilment unless it is approved in writing by the Buyer.

11.2. If the Buyer is in delay with the payment of invoice for the delivered goods, he shall pay the Seller contractual penalty in the amount of 0,04% of the non-paid amount for each day of delay.

11.3. Contractual penalties are paid by the liable party regardless whether and in what amount a damage will incur that can be collected separately.

12. Suspension, cancellation and withdrawal from the order

12.1. The Buyer reserves the right with immediate effect to suspend the order. In such case an agreement shall be concluded with the Seller on the loss compensation that should be provided to him.

12.2. In case that the Seller breaches its obligations (e.g. does not meet delivery time), the Buyer reserves the right to declare for justified reasons the cancellation or withdrawal from the entire order or from its part.

12.3. In case of circumstances that exclude responsibility, the Buyer reserves the right to withdraw from the Agreement without any compensation for the Seller.

12.4. Apart of that the Buyer reserves the right to withdraw rightfully from the order for his own reasons. The Seller shall receive compensation maximally in the amount of costs that he provably expended on the project till the date of withdrawal. The Buyer shall be the owner of material on stock or materials finished during the implementation.

13. Governing law and jurisdiction

Relations between the Buyer and the Seller are governed by provisions of the Agreement and these GPC and further by provisions of the Civil Code in valid wording and related legal regulations.

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