GENERAL TERMS AND CONDITIONS OF THE WORK CONTRACT

concluded in accordance with § 1751 et seq. of Act No. 89/2012 Coll., the Civil Code, as amended

1. Application

The General Terms and Conditions of Business (hereinafter referred to as GTC) of ERLEN s.r.o. (hereinafter referred to as the Contractor) apply in relations in which the Contractor carries out hot-dip galvanizing of materials within the scope of its business activities, where the Customer is also an entrepreneur.

Should any of the provisions of these GTC be or become invalid, ineffective or legally unenforceable, the validity, effectiveness or enforceability of the other provisions of these GTC shall not be affected.

In relationships in which the Customer is not an entrepreneur, the provisions of the Civil Code shall apply to the formation and termination of the legal relationship.

2. Exclusive scope of the GTC

These GTC are exclusively valid; deviating general terms and conditions of the customer/client (hereinafter referred to as the customer) shall not apply to the relationships governed by these GTC, even if such terms and conditions are included in the customer's orders or referred to in the customer's orders or requests or are otherwise proposed by the customer, even if such deviating terms and conditions of the customer have not been expressly rejected by the contractor.

If a contract is concluded between the contractor and the client and the content of that particular contract deviates from these GTC, the deviating provisions shall prevail over the text of the GTC.

3. Applicable law

All commercial obligations and contractual relations between the contractor and the client are governed by the law of the Czech Republic.

4. Establishment of the contractual relationship between the contractor and the client (conclusion of the contract)

The contractual (binding) relationship between the contractor and the client is established at the moment of acceptance of the client's order delivered to the contractor. An order is a document issued by the client containing:

The name of the client's company according to the commercial register, registration number, tax identification number, the client's registered office or place of business, the name of the person acting on behalf of the client or the issuer of the order, the specification of the goods delivered by the client to the contractor for the surface treatment by hot-dip galvanizing of the underlying metal, including their weight.

The order shall be deemed to have been delivered to the contractor:

- by letter carrier (post, courier service) to ERLEN s.r.o., hot-dip galvanizing plant FULNEK, Masarykova 701, postcode 742 45
- by electronic mail (e-mail) to the e-mail addresses zinek@erlen.cz and erlen@erlen.cz
- by personal delivery to an authorised employee of the contractor at the contractor's place of business (Fulnek), only during working hours, i.e. Mon-Fri: 6:00 14:30.

The moment of acceptance of the order is understood to be the confirmation of the order by the contractor (his authorized employee) containing the information confirming the surface treatment of the supplied base metal by hot-dip galvanizing.

If the hot-dip galvanizing treatment required in the order is not within the technological capabilities of the contractor, or if the contractor discovers such a fact after the order has been confirmed, the contractor shall notify the client without undue delay; if the contractor offers the client an alternative solution and the client does not accept the proposed solution, the contractor shall be entitled to withdraw from the contract.

If the contractor discovers after taking over the goods from the client or during the execution of the work that the delivered goods do not meet the requirements (see cl. 5, cl. 9 of the GTC) of the material suitable for hot-dip galvanizing, or that the delivered goods do not correspond dimensionally to the delivered substrates and their galvanization is not possible, he is entitled to demand from the client the payment of the incurred costs.

5. Subject of the contract

The subject of the contract is the surface treatment by hot-dip galvanizing of the underlying metal (hereinafter referred to as material, product or work), delivered by the customer to the contractor according to the galvanizing order (hereinafter referred to as the order sheet). The galvanizing shall be carried out in accordance with EN ISO 1461.

6. Obligations of the client and the contractor, cooperation

The Client undertakes to provide the Contractor with all cooperation and co-operation in the manner specified in these GTC or in the manner agreed upon at the time of handover and acceptance of the galvanizing material, to accept the galvanized material and to pay the Contractor the price for the work (price) in accordance with these GTC or in the manner agreed upon in the contract.

The client is obliged to provide the contractor with the following written information:

- information required by generally binding legal regulations,
- information which the Client is obliged to provide or which the Contractor is entitled to request from the Client according to the relevant technical standards (including CSN standards and standard), in particular according to Annex A/A.la A.2 of the technical standard CSN EN ISO 1461, i.e. in particular but not exclusively
- information on the composition and all material properties, including specification of the condition of the steel (material) on delivery,
- information on whether the product has flame, laser or plasma cut surfaces,
- information on the functional surfaces and their designation,
- information on areas where surface irregularities would prevent the intended use of the plated product, including a drawing or other indication of these areas, with the understanding that the client shall discuss with the contractor the procedure for resolving the problem,
- information on internally ventilated closed cavities, including appropriate evidence for the correct location and size of the ventilation openings.

In the case of failure to provide the relevant information in the appropriate form or in the event of incorrectness or incompleteness of the information or in the event of inappropriate instructions for the modification by the Client to the Contractor, the Contractor, without being obliged to draw the Client's attention to the absence, incompleteness or incorrectness of such information or the inappropriateness of such instructions, shall not be liable for any defects in the surface modification carried out, nor for any damage or defects in the property, i.e. also in the material handed over to the Contractor for the modification. The Client shall be liable for damages and any injuries that occur during the execution of the work at the Contractor's premises and are demonstrably caused by the insufficient preparation of the Client's goods - in particular, in the event of unventilated closed profiles that explode in the zinc bath.

The buyer is obliged to hand over the material in such a condition that hot-dip galvanizing can be carried out. That is in particular, that the material must not be contaminated with paint or other impurities, residues from rolling oils, must not be greasy above the usual level, must not be attacked by deep corrosion, there must be no slag on the welds and the material must have inlet (drainage) and ventilation holes and eyes drilled for suspension placed according to the instructions of the contractor. Illustrative examples in Annex No. 3 of these General Terms and Conditions.

By his signature, the bidder confirms that he has been familiarized with the technical conditions of galvanizing the material supplied by the contractor.

Products cut by flame, laser or plasma must have chamfered edges and burnished surfaces. For the product or material handed over to the contractor for galvanizing, the customer is responsible for the cleanliness of all internal hollow spaces, he is aware that impurities inside the cavities cannot be reliably removed by pickling and lead to an increased formation of ash and hard zinc. This can result in a reduced quality of the coating in the cavities or in the area around the drainage hole being smeared with hard zinc.

The customer also guarantees that the material intended for hot-dip galvanizing meets the suitability of this material for its own galvanizing due to its chemical composition. By handing over the material or product for galvanizing to the contractor, the customer confirms that he is familiar with the effect of the chemical composition of the steel (material) on the zinc coating, especially the content of silicon, sulfur and phosphorus. If any of the elements listed in

Annex No. 1 of these General Terms and Conditions in the material intended for hot-dip galvanizing are represented in values exceeding the values listed in Annex No. 1 of these General Terms and Conditions, the contractor is not responsible for any defects in the surface treatment, or for any material damage that may have occurred by not complying with this chemical composition.

The customer declares that he is aware of all the requirements for the quality of welding joints, that they must not contain any inflammation, pores or other unacceptable defects. Likewise, during welding, he will use means for cleaning welding nozzles or preventing the formation of spatter, which are approved by the contractor. If the weld joints contain these defects, the contractor is not responsible for the quality of the galvanizing in these joints, nor for any damage caused to the material.

The customer acknowledges that hot-dip galvanizing is an anti-corrosion system for which a decorative effect is not guaranteed. The ČSN EN ISO 1461 standard explicitly states that a claim cannot be made for the attack of white rust on the coating of hot-dip zinc, its occurrence is not related to the quality of the applied hot-dip zinc coating.

The customer is obliged to notify the contractor in writing of the fact that paint will be applied to the product after galvanizing, and must state what color it is and what technology the color will be applied to. If the customer violates his obligation according to the previous sentence, the contractor is not responsible for defects or damage caused as a result of not taking this fact into account in the preparation for galvanizing or during galvanizing. The contractor is obliged to carry out the galvanizing within the agreed period. The contractor undertakes to carry out hot-dip galvanizing according to the ČSN EN ISO 1461 standard. Based on the client's written request, the contractor will provide the client with the necessary technical information for the correct manufacture of the product intended for hot-dip galvanizing. A prior written agreement must be concluded regarding all customer requirements that go beyond the scope of ČSN EN ISO 1461. At the customer's request, the contractor will issue a report on the measurement of the zinc coating layer.

7. Time of performance

Galvanizing will be carried out within the period specified in the order sheet, otherwise within thirty days from the handing over of the material to the contractor, always on the condition that the client's cooperation will not be necessary for the execution of the work. If, at the discretion of the contractor, the client's cooperation is necessary for the execution of the work, the contractor will notify the client of this fact; in such a case, the performance period may be extended by the time required for cooperation by the customer. The customer is obliged to take over the completed work no later than 8 days from the notification of completion at the place where the contractor carries out galvanizing or at another place agreed upon in writing by the contracting parties in advance. In case of collection of goods at the contractor's place of business (Fulnek), it is possible to collect the goods only during working hours, Mon-Fri: 6:00 a.m. - 2:30 p.m.

The contractor sends notification of the execution (completion) of galvanizing of the supplied material or product to the customer in writing, by e-mail or by telephone, together with a request to take over the work.

The customer, who was acting as part of his business or other business activity when concluding and fulfilling the contract, acknowledges that in the event of his delay in taking over the galvanized material (work) for a period longer than one month from the date of the contractor's notification of the implementation (completion) of galvanizing and in the case of the client, who, when concluding and performing the contract, did not act within the scope of his commercial or other business activity or within the scope of the independent exercise of his profession, for a period longer than six months, the contractor proceeded according to §§ 2126 et seq. of the Civil Code, i.e. to sell the item (galvanized material) after prior notice. In the case of a customer who, when concluding the contract, did not act within the scope of his business activity, or in the case of a material or product whose value is demonstrably higher than the price of CZK 3,000, the contractor shall provide, along with a notice of the intended sale the customer an additional period of 15 days to pick up the material (work). If the uncollected work is sold, the contractor will pay the customer the proceeds of the sale after deducting the price of the work, the storage fee and the cost of sale. The right to payment of the sale proceeds must be claimed by the customer with the contractor.

The contractor can exercise this right even if payment of the price for the performance of the work upon acceptance after galvanizing has been agreed between the contractor and the customer and the customer is in arrears with payment after a period of more than one month.

If the shipment of the completed work is delayed by more than 1 month due to reasons on the part of the customer, the contractor is entitled to charge a storage fee of 0.5% of the price of the work, but no more than 5% of the price of the work.

The contractor is authorized to carry out galvanizing through a third party.

Transport of galvanized material (work) from and to the customer.

At the request of the contractor (carrier), the customer undertakes to submit comprehensive transport and delivery arrangements in a timely manner. The contractor's means of transport must be allowed to arrive freely and safely at the unloading points. They must be immediately unloaded or loaded by the customer. If the customer violates his obligations regarding unloading, he is obliged to pay for the resulting damage. The customer commits to the necessary cooperation during the loading and stacking of material, in particular the provision of mechanized means and trained handlers. The driver is responsible for the method of storing and securing the material on the loading surface of the means of transport. Cooperating persons are obliged to follow his instructions.

8. Price and payment terms

The price for galvanizing is determined individually depending on the surface treatment requested by the customer by agreement of both parties and is stated in the order sheet. The agreement on the price is considered concluded if its amount is not contradicted by the customer immediately after it was communicated to him by the contractor.

Annex No. 2 on the price calculation method (surcharges to the basic price) is an integral part of these GTC.

Unless otherwise stated, prices are in CZK. For orders in other currencies, the prices in the respective foreign currency, stated in the order form, apply. The weight of the galvanized material is always invoiced.

The prices are shown without VAT, which will be added at the legal rate. Invoices are due within 14 days, unless otherwise agreed in writing.

The costs of transporting the goods, their dispatch, loading and packaging, if these activities are provided by the contractor, are not included in the price and are charged separately, unless otherwise agreed in writing between the contracting parties.

The contractor is entitled at any time after the conclusion of the contract to require the customer to pay an advance payment in the amount specified by the contractor, and the customer is obliged to pay the advance payment to the contractor within the period indicated on the advance invoice, otherwise within five days from the issue of the advance invoice; the performance period is extended by the period from the issuing of the advance invoice by the contractor to the payment of the advance by the customer. The contractor is not obliged to start the work before the customer has paid the deposit.

The contractor has the right to adjust the price if the thickness of the coating on material with an unsuitable chemical composition exceeds 100% of the minimum average thickness of the layer, as determined by the ČSN EN ISO 1461 standard.

The contractor reserves the right to unilaterally adjust the price if, between the time of the conclusion of the contract and the execution of the galvanizing, there is a reduction or increase in costs, especially as a result of a change in the prices of inputs (especially raw materials and/or energy). Upon request, the contractor shall demonstrate to the customer the factors decisive for the price adjustment and its corresponding increase or decrease.

Unless otherwise agreed in writing, the price is payable without any deductions or reductions at the moment when the contractor notifies the customer that he is ready to deliver the material with the required surface finish. If the price has not yet been determined at this point, or if it cannot be communicated to the customer for other reasons, the price is payable at the time of receipt of the invoice.

The legal consequences in the event of the customer's delay in payment are governed by the relevant legal regulations, in particular the Civil Code, unless these General Terms and Conditions stipulate otherwise. The contractor is entitled to charge a flat fee of CZK 150 in the case of each individual reminder or setting an additional deadline for payment.

If, after the conclusion of the contract, circumstances occur on the part of the customer that could indicate that the customer may be at risk of over-indebtedness or that the customer may not be able to fulfill his obligations in the long term, the contractor is entitled to demand the payment of all outstanding claims owed to the customer at once. In the event of the customer's delay in payment of the price, the parties agree that after the futile expiration of the additional period of 2 weeks, all possible other claims of the customer until the payment of all claims.

9. Warranty for the quality of the work

The contractor provides a guarantee for the quality of his services. Performance defects, including guaranteed properties, are guaranteed if the following conditions are met. The contractor guarantees that the manufactured zinc coating on the item at the time of handing over the work meets the technical requirements established by the ČSN EN ISO 1461 standard. The warranty does not cover the resistance of the zinc coating to mechanical stress and the effect of a corrosive environment or elevated temperature (above 180 °C). The warranty does not cover the ability of the zinc coating to be subsequently applied with organic paints or powdered plastics. Complaints about obvious poor quality must be made upon receipt of the goods or without undue delay after the risk of damage has passed to the customer.

For orders intended for export abroad, a claim for an obvious defect in the work must be made before they are exported. The absence of the customer's representative at the time of acceptance or his concealment of information about the export of the order results in the limitation of claims for warranty performance. Warranty performance for defects for which the contractor is demonstrably responsible is, in the case of export of the item, provided exclusively in the form of a price discount, in the amount of the contractor's reasonable costs, which would have to be spent on removing the defect in the country.

The contractor delivers the service in standard quality corresponding to binding regulations. If the object of performance is to be used under special conditions or meet special requirements, these requirements must be confirmed in writing by the supplier.

The coating formed on steel by hot-dip galvanizing has different mechanical properties than the underlying material. The warranty excludes mechanical damage to the coating occurring after completion of the work, as well as degradation of the coating caused by a corrosive environment.

In the event of a defect, for which the customer demands warranty performance from the contractor, if there is a risk of further damage, the customer is obliged to immediately stop using the item.

In the event of a justified complaint, the contractor will remove the defect by repair. The contractor is entitled to provide the customer with a discount from the price of the claimed performance instead, if the claimed defect does not prevent the proper functioning of the thing, but at most up to the amount of the price for the poorly executed part of the work.

Claims for warranty performance cannot be made in the case of coating defects on components that are characterized by surface defects of the base material or its unsuitable chemical composition, or unsuitable construction for hot-dip galvanizing, or when the cause of the coating defect was the presence of impurities that cannot be removed by pickling.

The right to warranty performance expires 24 months after delivery. When making a claim for warranty performance, the customer is obliged to prove the date of the claimed delivery. The customer also loses his right to warranty performance if he has not fully fulfilled his commercial obligations to the contractor due no later than the date of completion of the relevant order, and if he handled the item in an inappropriate manner or stored it inappropriately in violation of applicable regulations or recommendations, if he made unauthorized modifications to the item , did not use the item in the usual way, did not complain about the poor quality of the work in accordance with the contract and these General Terms and Conditions or if the item is changed or damaged. The claim also expires if the customer exports or further processes the item with an obvious defect without notifying the contractor or does not provide the contractor with an opportunity to verify the defects, especially if he does not hand over the claimed item to the contractor without undue delay at his disposal to remove the claimed defects. The customer will provide the contractor with a reasonable time and place to eliminate the defects.

In the case of a justified complaint, the performance of the warranty repair is free of charge within the scope of the price for the removal of defects.

Costs incurred by the customer for disassembly, transport and reassembly, for the removal and reapplying of other coatings, as well as other direct or indirect related damages, are not covered by the warranty in the case of obvious defects in the coating that could be detected upon acceptance. Unless otherwise agreed, the contractor's liability is governed by valid legal regulations, technical conditions according to the valid wording of the technical standard ČSN EN ISO 1461 and the provisions stated in these General Terms and Conditions.

The contractor is not particularly liable for defects that arise from the use of galvanized material in coastal/seaside areas (e.g. drilling rigs, wind power plants, etc.)

10. Withdrawal from the contract

In the event of a substantial breach of contractual obligations by one party, the other party is entitled to withdraw from the contract. Non-compliance with the deadline for delivery of the work exceeding 14 calendar days and non-removal of justified claimed defects by the customer within the same period are considered to be a material breach of duty by the customer is considered to be:

- a) the customer's delay in paying the advance payment or part of it according to the contractor's advance invoice,
- b) delay by the customer in payment of the price of the work or its part exceeding 14 calendar days,
- c) non-fulfilment of the information obligation by the customer according to these GTC. The contractor is also entitled to withdraw from the contract if, upon or after taking over the material, based on an assessment by the contractor, it turns out that the material does not allow the proper execution of the work or is unsuitable for the execution of the work.

11. Electronic communication

Where the term electronic communication is used in these GTC, it means the use of e-mail or communication via mailboxes.

The e-mail message must be specified in such a way that it is clear who the sender is; the contractor is not responsible for the occurrence of damage in the event that it is proven that this damage occurred as a result of misuse or unauthorized use of the customer's sending electronic address by third parties.

The customer guarantees that the person who corresponds with the contractor through his electronic (e-mail address, data mailbox) is a person authorized to act on his behalf.

12. Other arrangements

If events occur that make one or both parties to the contract partially or completely unable to fulfil their obligations under the contract, they are obliged to inform each other without undue delay and to jointly take steps to overcome them. Failure to fulfill this obligation establishes a right to compensation for damages for the party that did not commit the breach of contract in such a case.

Effectiveness of the General Terms and Conditions

These General Terms and Conditions apply from 1 January 2016 and are published in full on the contractor's website www.erlen.cz.

EFFECT OF CHEMICAL COMPOSITION OF STEEL ON ZINC COATING

Influence of silicon (Si) in steel

Suitable materials for hot-dip galvanizing are steels:

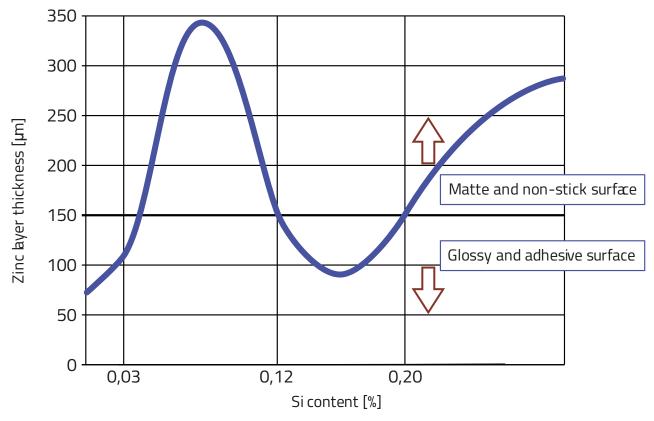
With a Si content below 0.03% - a coating with very good mechanical resistance is created. Its thickness slightly exceeds the minimum values prescribed by the ČSN EN ISO 1461 standard.

With a Si content between 0.15% and 0.25% - a thicker and relatively more brittle layer of zinc with good mechanical resistance is formed. As a rule, it can be successfully swept before applying the coating.

Unsuitable materials for hot-dip galvanizing are steels:

With a Si content in the range of 0.03% to 0.12% - relatively thick coatings formed by a mushy alloy with significantly reduced adhesion are formed. There may be streaks, lumps, the coating may delaminate. We call this phenomenon the so-called Sandelin effect.

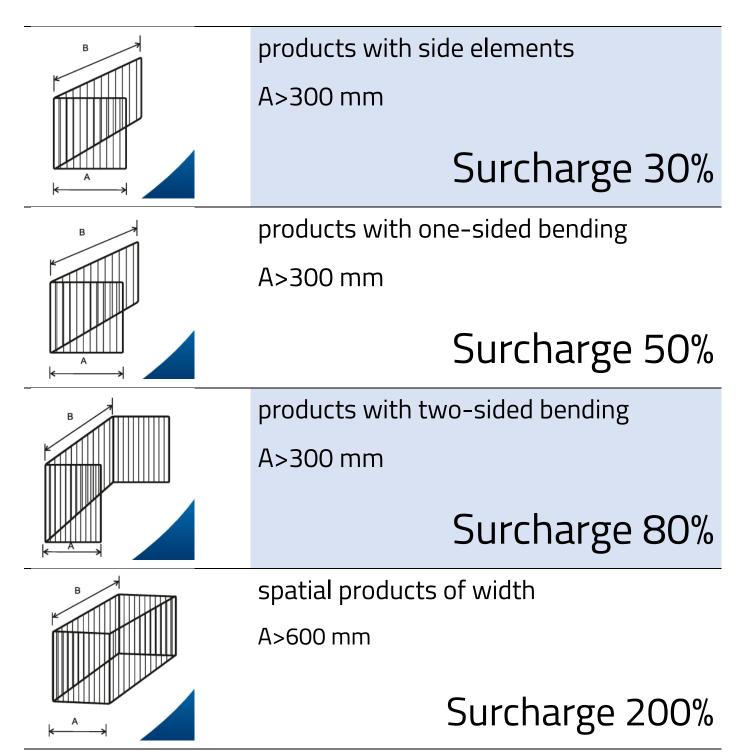
With a Si content above 0.28% - very thick and fragile coatings are formed, which delaminate at the slightest mechanical stress. It cannot be swept - the coating immediately delaminates.



Effect of phosphorus (P) in steel

In order to prevent the negative influence of phosphorus (P) in combination with silicon (Si), i.e. to avoid the Sandelin effect, the condition Si + $2.5 \times P \rightarrow 0.09$ must be met.

METHODS OF PRICE CALCULATION



PRINCIPLES OF CORRECT HOT-DIP GALVANIZED CONSTRUCTION

During hot-dip galvanizing, building components are immersed in molten zinc at a temperature of 450°C. Then a reaction occurs between iron and zinc. Combining iron with zinc creates an alloy layer, a zinc coating. The best protection for steel against corrosion.

