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The translation from the Serbian language to the English language of the General Terms of the Joint Stock Telecommunications Company Telekom Srbija Beograd for the Performance of Works, is provided to inform in English all interested parties about the contents of the document which is the subject of the translation.

The Joint Stock Telecommunications Company Telekom Srbija Beograd particularly points out that the version of the text "The General Terms of the Joint Stock Telecommunications Company Telekom Srbija Beograd for the Performance of Works, number 321064/1-2016 dated 23/08/2016", which is the subject of the translation in this document and published in the Serbian language on the Internet page <https://www.mts.rs/otelekomu/javne-nabavke/opsti-uslovi> is exclusively and solely legally valid and applicable.



Belgrade, Takovska 2

NUMBER:

DATE:

GENERAL TERMS OF JOINT STOCK TELECOMMUNICATIONS COMPANY TELEKOM SRBIJA BEOGRAD FOR PERFORMANCE OF WORKS

The General Terms of the Joint Stock Telecommunications Company Telekom Srbija Beograd for the performance of works (hereinafter: General Terms) determine the uniform rules for all commercial companies which are contractual partners of the Joint Stock Telecommunications Company Telekom Srbija Beograd (hereinafter: the Client) in terms of regulating mutual relations regarding the performance of Works. The Purchase Order shall specify the rules and obligations of the Parties determined by these General Terms for the particular project. The Client may change, supplement or replace the General Terms by other General Terms in accordance with its business policy, whereas the General Terms in force at the moment of the Purchase Order effective date shall be applied to each particular project.

Article 1 Definitions

Particular expressions used in the General Terms shall have the following meanings:

- 1) **The Client** means the Joint Stock Telecommunications Company Telekom Srbija Beograd,
- 2) **The Contractor** means an entity which is bound by the Purchase Order concluded with the Client to perform the Works for a particular project,
- 3) **The Parties** means collectively the Client and Contractor, and individually the "Party",
- 4) **General Terms** means the rules which apply to all activities of the performance of Works concluded between the Client and legal and physical entities in its business activities. The Purchase Order shall regulate all other important remaining elements per each particular project. The General Terms shall apply to everything not specifically regulated by the Purchase Order,
- 5) **Purchase Order** is to be signed with the selected bidder upon the conclusion of the procurement procedure by the Client for a particular project. The following important elements per particular procurement of the Client shall be determined by the Purchase Order: the scope and description of the Works, value of the Purchase Order, payment terms, deadline and place of the performance of Works, warranty period and other important elements for the implementation of the particular project. Attachments to the Purchase Order are as follows: accepted Contractor's Bid, Specification, list of subcontractors or members of consortium (joint bid) along with the copy of agreement on consortium and other documents relevant for the implementation of the particular project. By providing the bid for a particular project, the Contractor accepts these General Terms,
- 6) **Law on Planning and Construction (hereinafter: Law)** means the applicable Law on Planning and Construction of the RS on which these General Terms are based and according to which they are regulated, and it is directly applied to all relations of the Client, Contractor and other participants in the Works regarding the Works, in the part not regulated by these General Terms,
- 7) **Works** means the works as defined by the Law, and determined by each individual Purchase Order,

- 8) **Construction Site** is a piece of land or facility, specifically marked, where the construction works are being performed, a facility is being reconstructed or removed, i.e. facility maintenance works are being performed,
- 9) **Facility** means the facility as defined by the Law, and determined by each individual Purchase Order,
- 10) **Technical Inspection** means the control of the compliance of performed Works with the construction permit and Technical Documentation based on which the facility is constructed, as well as compliance with technical regulations and standards for particular types of Works, or Assembly Material, Equipment and installations,
- 11) **Technical Inspection Commission** means the commission stipulated by the Law, which performs the Technical Inspection of the Facility,
- 12) **Technical Documentation** means the set of designs intended for: determining the concept of the facility, elaboration of conditions, manner of the facility construction and for the facility maintenance,
- 13) **Construction Permit Design** is the design intended for obtaining the certificate on construction permit,
- 14) **Performance Design** is the design intended for the performance of construction Works,
- 15) **As-built Facility** is the Performance Design including the changes occurred during the construction of the Facility and it is intended for the exploitation permit, use and maintenance of the Facility. If during the construction of the Facility there are no deviations from the Performance Design, the Client, the person performing professional supervision and the Contractor confirm and certify on the Performance Design that as-builts correspond to designs,
- 16) **Time Schedule for Works** is a time plan for the performance of Works to be made by the Contractor and accepted by the Client,
- 17) **Specification** is the bill of quantities and the pro-forma invoice for the Works containing the planned type and quantity of Equipment and Assembly Material, made based on Technical Documentation, with unit prices and total price according to the Contractor's bid, which makes an integral part of each Purchase Order,
- 18) **Equipment** means the equipment installed in the Facility,
- 19) **Assembly Material** means TC material and other material installed in different units of Equipment and Facility,
- 20) **Client's Supervising Engineer** (hereinafter: **Supervisor**) means experts employed by the Client or hired by the Client who own appropriate licences and who are authorized by the Client to perform supervision and control over the Contractor at the Construction Site in terms of the performance of contractual obligations,
- 21) **Responsible Contractor** is an expert employed by the Contractor or hired by the Contractor, who owns an appropriate licence and who is authorized by the Contractor to manage the performance of Works,
- 22) **Subcontractor** means an entity (other than the Contractor) named in the Purchase Order for a particular type or part of the Works, or hired by the Contractor, and the Contractor is fully and without limitations responsible for the performance of the said Works,
- 23) **Surplus of Works** represent the quantities of performed Works which exceed the quantities planned in the Purchase Order,
- 24) **Shortages of Works** are negative deviations of performed Works in relation to the quantities planned in the Purchase Order, i.e. the value and/or quantity of actually performed Works is lower than the contracted value and/or quantity,
- 25) **Unforeseen Works** means the works not included in the Purchase Order, but which must be performed because they are necessary for the stability of the Facility, the proper course of the Works and regular use of built Facility (according to its purpose), as well as for the prevention of damage and endangering people's lives and safety.

Article 2 Scope of General Terms

The scope of the General Terms is to regulate the mutual relations of the Parties regarding the performance of Works that are specified in detail in the Purchase Order. The Contractor shall perform the Works all in accordance with the Contractor's bid which is accepted by the Client, these General Terms, as well as attachments which make an integral part of the Purchase Order.

Article 3 Value of Purchase Order

The value of the Purchase Order is the value of Works for a particular project and it is stated in the accepted Contractor's bid and Purchase Order.

The actual value of performed Works shall be determined based on the actually performed Works registered in the Master Book of Construction and mutually certified by the Contractor and the Supervisor, by applying the unit prices inclusive of discount from the accepted Contractor's bid.

Article 4 Payment terms

The payment for the performed Works shall be effected by the Client in accordance with the applicable Financial Policy of the Client and shall be specified in the Purchase Order.

Article 5 Elements and manner of invoice and payment certificate submission

The invoice must include all the elements prescribed by the Law on Value Added Tax of the Republic of Serbia and the by-laws.

The payment certificate signed by the Contractor's authorized person and certified with the Contractor's seal and signed and certified by the Supervisor shall be submitted along with the invoice, with the certification date stated.

The invoice and payment certificate with the accompanying documents shall be submitted in 4 copies (original + 3 photocopies) to the Client's file room indicating the competent organizational unit of the Client, which shall be stated in the Purchase Order.

The invoice not made in accordance with the above stated shall be returned to the Contractor and the payment shall be deferred to the detriment of the Contractor until the correct invoice is submitted.

The time limit for the issuance of the invoice/ payment certificate shall be 3 (three) days from delivery date, at the latest.

Article 6 Place and deadline of the performance of Works

Place and deadline for the performance of Works shall be stated in the Purchase Order.

The deadline for the performance of Works shall begin on the date of the Contractor's engagement in the project, which shall be stated in the Construction Journal.

The Contractor shall draw up the proposal for the Time Schedule for Works. The Contractor shall submit the proposal for the Time Schedule for Works to the Client in electronic form within 3 days as from the Purchase Order effective date. The Client is obliged to agree upon the proposal for the Time Schedule for Works or to modify it in agreement with the Contractor. The modified proposal for the Time Schedule for Works shall be deemed as finally accepted Time Schedule for Works.

Integral part of the Time Schedule for Works is the following:

- plan for engagement of necessary labour,
- plan for engagement of necessary machinery and equipment at the Construction Site,
- plan for the provision of necessary material,
- financial plan for implementation of the performance of Works per months.

The Contractor is obliged to submit, through the Supervisor, a written request for extension of the deadline of the performance of Works, if any, 7 (seven) days at the latest, before the expiration of the contracted deadline. The Supervisor, upon the Contractor's request, will submit a detail explanation and its opinion on the extension of the deadline for the performance of Works. If the Contractor send to the Client the request for extension of the deadline, after the expiration of the said deadline, such request shall not be considered and the Client shall have the right to collect the liquidated damages and activate the performance bond security instrument.

Article 7 Liquidated damages

In case the deadlines for the performance of Works are exceeded due to the reasons that can be attributed to the Contractor, the Client is entitled to collect the liquidated damages amounting to 2‰ (two per mille) of the value of delayed Works, for each day of delay, and maximum up to 10% (ten percent) of the total value of the Purchase Order for all delays during the contracted period.

The Client is entitled to collect the liquidated damages without a specific notice to the Contractor by issuing the relevant calculation with payment term of 15 (fifteen) days as of the issuance date thereof.

The collection of liquidated damages shall not exclude the Client's right to indemnification.

Article 8 Advance payment security instrument

In the event that advance payment is provided for under the Purchase Order, the Contractor undertakes, along with the pro-forma invoice, to submit to the Client as advance payment security instrument, an irrevocable and unconditional bank guarantee for the return of unjustified revalued advance, payable on first demand and without objections, and drawn up according to the model provided in Attachment 3 to the General Terms.

The guarantee shall be issued by the bank acceptable to the Client, to the total value of advance payment, increased by pertaining VAT, with validity period until the moment of full justification of advance payment.

In the event that the payment under the Purchase Order is effected through a credit, in accordance with the Client's financial policy, the bank guarantee must be linked to Euro.

In the event that the deadline for the performance of Works is extended, the Contractor shall extend the validity period of the bank guarantee.

In the event that the Contractor fails to perform, fully or partially, its obligations from the Purchase Order and General Terms, the Client shall return the value of the unjustified part of advance payment through the activation of the bank guarantee.

Unjustified advance payment shall be revalued by applying the consumer price growth index from the advance payment date until the date of the collection of the security instruments, and in case of the bank guarantees linked to Euro by applying the middle exchange rate of the NBS for EUR/RSD at the date of the bank guarantee collection.

The costs of the bank guarantee shall be borne by the Contractor.

Article 9 Performance bond security instrument

Depending on the value of the secured amount, the Contractor undertakes to submit the relevant performance bond security instrument.

Performance bond security instrument for the value of secured amount of up to RSD 3,000,000.00

The Contractor is obliged, upon the Purchase Order signature and within 5 days after the Purchase Order effective date at the latest, to submit to the Client the signed, certified and registered blank promissory note with endorsement letter for good and timely performance of all the Contractor's contractual obligations.

The Model of Endorsement Letter is given in Attachment 1 hereto.

The Endorsement Letter shall be issued in the amount of 10% of the total value of the Purchase Order and shall be valid for further 30 days after the expiration of the warranty period for Works, or Equipment/Assembly Material (whichever warranty period expires later).

The promissory note shall be collected if the Contractor fails to fulfil its obligations as provided for under the General Terms and the Purchase Order.

If the promissory note is collected by the Client, the Contractor is obliged to provide new, signed, certified and registered blank promissory note under the same conditions.

Performance bond security instrument for the value of secured amount of over RSD 3,000,000.00

The Contractor undertakes, upon the Purchase Order signature and within 5 days after the Purchase Order effective date at the latest, to provide and submit to the Client an irrevocable and unconditional bank guarantee for good and timely performance of all Contractor's contractual obligations, payable on first demand and without objections.

The bank guarantee shall be issued by a bank acceptable to the Client in the amount of 10% of the total value of the Purchase Order, made in accordance with the model from Attachment 2 hereto. The performance bond security instrument shall be valid for further 30 days after the expiration of the warranty period for Works, or Equipment/Assembly Material (whichever warranty period expires later).

The Client is entitled to collect the performance bond bank guarantee if the Contractor fails to fulfil its obligations as provided for under the General Terms and the Purchase Order.

The costs of the bank guarantee shall be borne by the Contractor.

The performance bond security instrument shall be submitted to the competent organizational unit of the Client stated in the Purchase Order.

In the event that the payment under the Purchase Order is effected through a credit, in accordance with the Client's financial policy, the bank guarantee must be linked to Euro.

Article 10 Surpluses, shortages and unforeseen works

During the performance of Works, some Surpluses of Works may appear due to the deficiencies (imprecision) on the part of some of the elements of the technical Documentation which are to be stated in the Construction Journal by the Contractor and the Supervisor. If during the performance of Works it is estimated that the value of the performed works in total will exceed 10% of the total Purchase Order value, the Supervising Engineer and the Responsible Contractor are obliged to draw up a report containing a new bill of quantities and pro-forma invoice and to submit it to the Client's approval. The Client may:

- a) order the Designer, Supervising Engineer and Contractor to perform a new assessment and inspection of the state of Facility, and/or
- b) order the Designer to make necessary modifications of the Technical Documentation for the purpose of adjustment to the actual state, in which case the Contractor is obliged to stop (wait) further preparations for the performance of Works until the submission of corrected Technical Documentation or
- c) give up the performance of Works and terminate the Purchase Order with 15 (fifteen)-day termination notice, where each Party bears its own costs.

If the Client give its consent to the performance of specified works, the Contractor is obliged to perform the said works at unit prices stated in the Purchase Order. If the works which exceed 10% of the total value of the Purchase Order are performed without the Client's consent, the Client shall not be responsible for payment of the works performed in such manner.

Shortages of works, or negative deviations of performed works in relation to the contracted quantities of works, shall be established jointly by the Supervisor and the Contractor in the Construction Journal. Based on joint, signed and certified conclusion in the Construction Journal, the value of Works is reduced by the value of the Shortages of Works, calculated according to the unit prices from the Purchase Order.

Unforeseen works, or those works which have not been included in the Purchase Order, are divided into three categories:

- a) Works performed for the prevention of material damage or endangering people's lives and safety,
- b) Works which must be performed for the sake of the stability of the Facility,
- c) Works which must be performed for the sake of the proper course of the Works and regular use of built Facility.

In case of the unforeseen works stated in the previous paragraph under a) and b), the Contractor is obliged to perform the Works without previously obtained Client's consent, but it is also obliged to register them in the Construction Journal and inform the Client about that immediately, in writing, then start the performance of such Works and submit the bid for the performance of these Works. Immediately upon the commencement of the performance of such Works and notification to the Client, joint commission of the Contractor, Designer and Supervisor shall without any delay appear at the Facility, make the Minutes of Performance of Unforeseen Works that will be certified and signed, based on which the Contractor's bid will be accepted. In the said Minutes, deficiencies, if any, must be stated regarding the Technical Documentation, in case the objective circumstances leading up to the Unforeseen Works could have be foreseen by an attentive expert (for example, landslides, terrain characteristics, underground waters,

Facility surroundings etc.). The Supervisor and Designer are also authorized to check and conclude, in the same way, whether the Unforeseen Works were caused by the Contractor (incorrect performance of Works, unprofessional performance, performance of Works contrary to due professional care). For such purpose, the Client may request professional expertise. In that case, these Works shall not be deemed Unforeseen Works, and the Contractor shall be obliged to compensate for any damage caused, including the damage caused to third parties.

The Client may terminate the Purchase Order if, due to the Unforeseen Works, the total value of Works is considerably higher than the value of Works established in the Purchase Order, about which it is obliged to notify the Contractor within 3 days at the latest upon receiving the Contractor's bid. In case of the Purchase Order termination, the Client is obliged to pay to the Contractor for the Works performed until the moment of termination.

In case of the Unforeseen Works stated under c), as well as the Equipment and Assembly Material to be delivered under Surpluses and Unforeseen Works, the Contractor is obliged to follow fully the procedure defined for the Surpluses of Works.

Per each individual Purchase Order, the value of Surpluses and Unforeseen Works inclusive of Shortages of Works, including the Equipment and Assembly Material to be delivered by the Contractor, may exceed 10% of the value of Purchase Order only in case of Unforeseen Works stated under a) and b) and in case of violations defined in paragraph 2 and 3 of this Article, for the implementation of which an annex to the Purchase Order shall be concluded.

Surpluses and Unforeseen Works inclusive of Shortages of Works, including the Equipment and Assembly Material to be delivered by the Contractor which exceed the value of Purchase Order up to 10%, shall be paid upon the final calculation.

Article 11 Cessation of Works due to the reasons not attributable to the Contractor

If the Works have not been performed within the deadline stated in the Purchase Order due to the reasons for which the Contractor is not responsible, and they cannot be completed within a reasonable deadline due to the reasons not attributable to the Contractor, a joint commission of the Client and Contractor shall be formed that will, within 10 days from the receipt of the Contractor's request, establish in a protocol the degree of completeness of Works, and if the said protocol is adjusted, the condition will be created for the submission of the payment certificate for the completed Works and payment in accordance with the payment terms stated in the Purchase Order.

Article 12 Technical documentation

The Client is obliged to submit to the Contractor necessary Technical Documentation that will enable the Contractor to start freely with the performance of Works. The Contractor is obliged to examine the received Technical Documentation and to request without hesitation:

- explanation on insufficiently clear parts or details,
- addition or removal of identified deficiencies in order to avoid the cessation of Works or some other harmful consequences.

The Contractor has no right to alter the Technical Documentation. If the Contractor identifies some deficiencies in Technical Documentation or is of the opinion that the said documentation should be altered and thus improved or otherwise, the Contractor is obliged to timely inform the Client thereof in writing. The Client is entitled to alter the Technical Documentation based on which the Works are performed. If the Technical Documentation is changed, the Contractor has the right to proportionate change of the value of Works and contracted deadline for the performance of Works, which would, in case the value of such Works exceeds the value of the Purchase Order by more than 10%, be stated in an annex to the Purchase Order.

Upon the completion of Works, the Contractor shall draw up the As-built Facility (if specified in the Purchase Order). The Contractor shall submit to the Client 3 copies in hard copy and 1 copy in electronic form. As-built Facility shall contain: printed version of the technical documentation book, measurement protocol, TeleCad Gis or AutoCad version of technical documentation book on CD and elaboration on geodetic recordings.

Article 13 Equipment and Assembly Material

The Specification determines the type and quantity of the Equipment and Assembly Material to be installed in the Facility and specifies exactly which of the stated Equipment and Assembly Material are to be provided by the Client, and which of the stated is to be provided by the Contractor. During the performance of Works, the Client may give its consent to the Contractor to deliver the Equipment or Assembly Material stipulated in the Specification to be provided by the Client.

As regards the Equipment and Assembly Material provided by the Contractor in accordance with the Specification, the Contractor is obliged to submit to the Client the certificates and test certificates issued by the authorized institutions before the commencement of installation for Equipment at the latest, and for the Assembly Material before the commencement of Facility takeover. Equipment and Assembly Material not corresponding to the established quality will not be accepted, i.e. the Works performed using such Equipment and Assembly Material will not be acknowledged. The Contractor is obliged, at its own expense, to replace malfunctioning Equipment and Assembly Material without jeopardizing the Time Schedule for Works.

The Contractor shall at any time enable the Client or Supervisor to inspect the procurement of the Equipment and Assembly Material, in order to fulfil quality standard and the contracted Time Schedule for Works. The Contractor is obliged to cooperate in supervision, particularly to participate in testing the quality of the Equipment and Assembly Material.

The remaining not-installed Equipment and Assembly Material taken over from the Client, the Contractor is obliged to return to the Client within two days as from the date of the final calculation.

Article 14 Obligations of the Contractor

The Contractor has the following obligations:

- to perform the Works in compliance with the Law, by implementing the quality standards and within the agreed deadline,
- to issue a decision naming responsible contractors for all established types of Works and inform the Client in writing about limits of their authorizations by submitting the said decisions. The responsible contractors must meet all conditions prescribed by the Law,
- to keep the Construction Journal, Master Book of Construction and provide the Inspection Book. During the performance of Works, the Contractor is obliged to submit to the Client, at any moment, for inspection all necessary documentation or data requested by the Client or Supervisor, for the purpose of establishing the fulfilment of contracted obligations and the Time Schedule for Works,
- to attend the work of the Commission for Technical Inspection of the Facility. The costs caused by acting upon the objections of the Commission for Technical Inspection of the Facility shall be borne by the Contractor,
- to determine jointly with the Client deficiencies occurred during the performance of Works and remove them timely in agreement with the Client, without affecting the Time Schedule for Works,
- to organize the Construction Site in the manner which will enable access to the Construction Site, provide undisturbed traffic flow, protect the environment during the construction,
- to provide safety to the Facility and surroundings (nearby buildings and traffic arteries),
- to secure the Facility and surroundings in case of Works cessation,
- to secure the Construction Site and apply all legal measures in order to protect the facility from fire and burglary,
- to insure the employees through third party against industrial accidents and provide them with adequate protective equipment,
- train employees so that they can work safely,
- to submit to the Supervisor a list of employees who will be working on a specific Facility, namely: employee full name, personal number, registration number, work place and description of activities to be performed at the specific Facility (works on the Facility, takeover of the equipment and assembly material, draw-up of Design Documentation etc.),
- to submit to the Supervisor a list of tools and instruments to be used in the performance of Works. It is obligatory for the instruments to state manufacturer name of the instrument with serial number,
- machinery, handheld and mechanic tools, extension cords and working platforms must be in good working order during the performance of contracted works. Working tools which is subject to periodical inspection, must have valid expert findings,

- enable the Client to supervise the Works, at all times, as well as to perform the quantity and quality control of the installed Equipment and used Assembly Material,
- to draw up jointly with the Supervisor final calculation for performed Works within the deadline that shall not exceed 15 calendar days as from the completion date of the Works,
- to fulfil other obligations in compliance with the Law, General Terms and other substantive legal regulations.

Article 15 Responsibility of the Contractor

The Contractor assumes full responsibility for the Works from the commencement thereof until the takeover, as well as during the warranty period. If during that period, at the Facility, on the Equipment and Assembly Material some deficiencies are identified or any damage occurs due to the reasons for which the Contractor is responsible, the Contractor shall remedy them at its own expense so that the Works in all comply with the contracted conditions and technical requirements.

During the performance of Works, the Contractor shall hold the Client harmless against any responsibility arising out of any omission or action of the Contractor contrary to the Law, General Terms and Purchase Order. In such case, the Contractor is obliged to indemnify the Client actual damage and lost profit caused by such damaging actions.

The Contractor is solely responsible towards third parties for all damages arising out of non-compliance with legal regulations on the Contractor's part.

The Contractor is fully and without limitations responsible for any damage caused by the actions of its subcontractors, employees and other persons hired by the Contractor.

Article 16 Obligations of the Client

The Client has the following obligations:

- pursuant to the Law, to report the commencement of Works and deadline for the completion of Works,
- to submit to the Contractor necessary Technical Documentation, introduce the Contractor into business and open the Construction Site,
- to provide expert supervision for performance of all types of Works,
- pursuant to the Law, to control the entire course of the performance of Works,
- upon receipt of the written notification of the Contractor regarding the completion of the contracted Works, to do the following:
 - carry out quality control of performed Works and installed Equipment and Assembly Material,
 - draw up the Minutes of Facility Takeover, i.e. Minutes of Quality Control to be signed by the authorized representatives of the Parties,
 - to draw up, jointly with the Contractor, final calculation/final payment certificate for performed Works within the maximum deadline of 15 calendar days as from the completion date of the Works.
- provide technical inspection of the Facility,
- to fulfil other obligations in compliance with the Law, General Terms and other substantive legal regulations.

Article 17 Insurance

The Contractor is obliged, prior to its engagement in the project, to secure the Works, Equipment and Assembly Material against the usual risks up to their full value, in favour of the Client, and provide the Client with the original insurance policy with the validity of the whole period of the performance of Works.

Before its engagement in the project, the Contractor is obliged to submit to the Client the original insurance policies against liability to third parties and matters of importance for the whole period of the performance of Works, all in accordance with the applicable legal regulations.

If the deadline for the performance of Works is extended, the Contractor is obliged to submit, before the expiration of the contracted deadline, the original insurance policies referred to in paragraphs 1 and 2 of this Article with a new insurance period.

The original insurance policy shall be submitted to the competent organizational unit of the Client, which shall be stated in the Purchase Order.

If the Contractor fails to insure the Equipment as stated in paragraph 1 of this Article, the Contractor shall indemnify the Client, fully and without limitations, for the claims arising from insurance against liability to third parties or damage to any physical property resulting from the performance of the Purchase Order.

Article 18 Quality control

Immediately upon completion of the Works, the Contractor shall notify the Client that the Works which are the subject of the Purchase Order have been completed. The date of completion of the Works shall be entered in the Construction Journal. The authorized persons of the Client shall perform the quality control of the performed Works, delivered Equipment and Assembly Material and shall draw up the Minutes of Takeover of Facility, i.e. the Minutes of Quality Control signed by the authorized representatives of both Parties. The Minutes of Takeover of Facility shall contain the following information:

- whether the Works are carried out according to the Purchase Order, the regulations and the rules of the profession,
- whether the quality of the performed Works corresponds to the contracted quality,
- on which issues of a technical nature the consent of the authorized representatives of the Parties has not been reached with the set deadline for removing the above mentioned nonconformities,
- a statement on the takeover of warranty cards and test certificates for Equipment and Assembly material supplied by the Contractor,
- date of completion of Works and date of takeover.

The mandatory attachment to the Minutes of Takeover of Facility or the Minutes of Quality Control is a measurement protocol for the Facilities to which the measurement and testing of functional characteristics are applied. The Contractor is obliged to provide the appropriate instruments for performance of the quality control.

Prior to the commencement of the Quality Control, the Contractor is obliged to submit to the Client 1 draft of As-built Facility in electronic form and hard copy. In the event that the Client has objections to the As-built Facility, it shall deliver them to the Contractor within 5 days from the date of receipt thereof or within 2 days from the date of the performed quality control (whichever date is later). The Contractor is obliged to make corrections and along with the copy in which the corrections are indicated, submit the corrected As-built Facility in the manner specified in Article 12 of the General Terms.

The Contractor is obliged to act upon all written objections of the Client and the Supervisor to the quality of the performed Works, installed Equipment and Assembly Material, and to remedy in accordance with these objections, at its own cost, the defects or omissions.

After the quality control and takeover of Works, installed Equipment and Assembly Material, the Client undertakes to complete the final calculation of the completed Works together with the Contractor within maximum deadline of 15 calendar days from the date of completion of the Works.

Article 19 Warranty Period

The warranty period for the performed Works shall be minimum 24 months as from the signature date of the positive Minutes of Takeover of Facility, i.e. Minutes of Quality Control. For the Equipment /Assembly Material, the warranty period of the manufacturer of the Equipment/Assembly Material shall be valid, and such warranty period cannot be shorter than 24 months from the signature date of positive Minutes of Takeover of Facility, i.e. Minutes of Quality Control.

During the warranty period, the Contractor is obliged to eliminate, at his own expense, any defects on the Facility or Equipment/Assembly Material arising from the manner of performance of the Works, or the damage caused by the reasons attributable to the Contractor, within a reasonable period specified by the Client. If the Contractor refuses to eliminate such defects or damages within the reasonable period of time at its own expense, the Client reserves the right to eliminate them itself or through a third party, at the Contractor's expense, and is entitled to compensation for damages that it suffers therefore.

Article 20 Force Majeure

If Force Majeure events obstructing or preventing the performance of contractual obligations occur after the effective date of the Purchase Order, the time limits for the performance of the contractual obligations of the Parties shall be justifiably extended for the period of the Force Majeure event duration.

Force Majeure assumes extreme and extraordinary events that cannot be predicted, that occurred without the will or influence by the Parties, and that could not be prevented by the affected Party. As Force Majeure events can be understood, but without limitation to, such events as floods, earthquakes and fire, political events (war, large-scale riots, and strikes), imperative decisions of the authorities (ban on export and import traffic). The lack of semi-products and labour will not be considered as Force Majeure.

The Party affected by Force Majeure shall forthwith inform the other Party in writing about the occurrence of unpredicted circumstances and provide the other Party with appropriate evidence.

If the circumstances of Force Majeure are present for more than 3 months, each Party shall have the right to terminate the Purchase Order.

Article 21 Termination of Purchase Order

Should the Client become entitled to maximum amount of liquidated damages, the Client may invite the Contractor by notice in writing to complete the performance of the Purchase Order, taking into account the technical and other relevant conditions as well as all delays already occurred. If the Contractor fails to complete the performance in the given period of time, the Client is entitled to forthwith terminate the Purchase Order by notice in writing to the Contractor.

Either Party may terminate the Purchase Order by notice in writing to the other Party on the occurrence of any of the following events:

- If the other Party commits a breach of the General Terms and/or terms of the Purchase Order and after the receipt of a written notice specifying the breach or default of the General Terms and/or terms of the Purchase Order fails to remedy the breach within 30 days or any other longer period of time set forth in the said notice, and such period of time shall be reasonable taking into account all relevant circumstances;
- If bankruptcy proceedings are instituted against the other Party or the Party becomes insolvent and such proceedings are not dismissed within 90 (ninety) days from the date of proceedings initiation;
- In case of Force Majeure, in accordance with the provisions of Article 20 hereof.

The provisions set forth in the General Terms, that are expressed or by their sense and context are intended to survive the expiration or termination of the Purchase Order shall so survive the expiration or termination thereof such as rights and obligations arising from the provisions on confidentiality.

Article 22 Confidentiality

The term "Confidential Information" means any information, written or said, which one Party discloses to the other Party regarding the particular project, such as information or data concerning products of any Party or its business operations and all planned acts in production, support or services, which the Parties exchanged upon the Purchase Order effective date, but which have been clearly and visibly stated or adequately indicated (by legend or otherwise) as "confidential or protected" at the time of their disclosure.

Neither Party shall reveal to a third party any confidential information received from the other Party under the particular project, unless the other Party gives its written consent. The Party receiving such confidential information agrees to treat them as strictly confidential and shall not reveal them, directly or indirectly, to any third person, commercial company, corporation, association or entity, for any purpose whatsoever, and shall not make use of or copy such confidential information in any other way except for the purpose of the Service provision. Such confidential information may be disclosed for the purpose of Service provision only to employees of the receiving Party who reasonably require access to such information and who have secrecy obligations to the receiving Party and only while this is necessary for the purpose of such performance.

It is assumed that the provisions of confidentiality shall not apply to any information received under the particular project which:

- was known to the receiving Party prior to its receipt from the other Party (and has been documented by the receiving Party);
- became public or (through no act of failure on the part of the receiving Party) becomes generally known;
- is supplied to the receiving Party by a third party which the receiving Party in good faith believes is free to make such disclosure and without limitation to disclosure;
- is own confidential information of the disclosing Party which were disclosed to a third party in a general manner, without limitation to the disclosure;
- was independently created by the receiving Party without using any of the confidential information submitted to it by the disclosing Party.

The obligation of confidentiality shall be valid for the period of 5 (five) years after the expiration and/or termination of the Purchase Order.

Article 23 Assignment

Neither Party shall have the right to assign, sell or pledge the Purchase Order or any of its rights and obligations under the General Terms and the Purchase Order to a third party without prior written consent of the other Party.

Article 24 Amendments to Purchase Order

Amendments to the Purchase Order can be made only when agreed by both Parties.

Article 25 Substantive law

The contractual provisions and all other matters not explicitly regulated by the General Terms and the Purchase Order, as well as any dispute that may arise in connection with the General Terms and the Purchase Order, shall be governed by substantive legal regulations of the Republic of Serbia.

Article 26 Settlement of disputes

All disputes arising out of or in connection with the General Terms and the Purchase Order, including any question regarding its existence, validity or termination, shall be solved by the Parties on an amicable basis. All disputes which cannot be solved by the Parties on an amicable basis shall be settled by the court with subject matter jurisdiction in Belgrade.

Article 27 Purchase Order effective date

The Purchase Order shall become effective as of the date of its signature by the authorized representatives of the Parties.

Article 28 General Terms validity

The General Terms shall become effective as of the date of their announcement. By coming into force of the General Terms, the General Terms for Performance of Works of Joint Stock Telecommunications Company Telekom Srbija Beograd, version 2/29102009 no. 285074/1 dated 03/11/2009 cease to be valid.

DIRECTOR GENERAL

Predrag Ćulibrk

Attachments:

Attachment 1: Model of endorsement letter for good performance of work

Attachment 2: Model of performance bond bank guarantee

Attachment 3: Model of advance payment bank guarantee

ATTACHMENT 1

**Endorsement letter for good performance of work
(model)**

DEBTOR

(COMPANY NAME)

ID number. _____

TIN _____

CURRENT ACCOUNT _____ with the bank _____

ISSUES

**ENDORSEMENT LETTER – AUTHORIZATION
- for beneficiary of blank promissory note –**

BENEFICIARY: Joint Stock Telecommunications Company Telekom Srbija, Beograd, Takovska 2
(Creditor)

We hereby deliver to you blank promissory note with the serial number: _____ and authorize the Joint Stock Telecommunications Company Telekom Srbija, Beograd, Takovska 2, as creditor, to fill out the blanks of the delivered promissory note with the amount up to 10% of the total value of the Purchase Order no. _____ dated _____ (hereinafter referred to as: Purchase Order), which amounts to RSD _____, if the Debtor fails to meet, completely or partially, its obligations under the Purchase Order, as provided for under the said Purchase Order.

We hereby authorize the Joint Stock Telecommunications Company Telekom Srbija Beograd, as creditor, to fill out, in compliance with the provisions of the said Purchase Order, the promissory note for the collection of the debt amount pursuant to the provisions of the Purchase Order and to effect unconditionally and irrevocably, without protest and costs, out of court and in compliance with the applicable regulations, the collection at all bank accounts of (NAME OF DEBTOR) and in favour of the Joint Stock Telecommunications Company TELEKOM SRBIJA Beograd, Takovska 2.

(NAME OF DEBTOR) hereby waives the right to revoke this endorsement, raise an objection to the debit and to the cancellation of the debit on this basis of the collection.

The note is also effective if during the validity period of contractual relation a change is made as regards the person authorized to represent, persons authorized to manage funds at the bank account, as well as the change of the seal, status changes, foundation of new legal entities by (NAME OF DEBTOR).

The note is signed by the person(s) authorized to represent and manage funds at the bank account of (NAME OF DEBTOR), XXXXXX XXXXX.

This endorsement is made in 2 (two) identical copies, of which 1 (one) shall rest with (NAME OF DEBTOR), and 1 (one) with the Joint Stock Telecommunications Company TELEKOM SRBIJA Beograd

Place _____,

Date _____

Issuer of the note:

ATTACHMENT 2

**Performance bond bank guarantee under Purchase Order no. _____ dated _____
(model)**

For: Joint Stock Telecommunications Company Telekom Srbija Beograd
Takovska 2, 11 000 Belgrade, Republic of Serbia

Whereas _____ (name and address of the Contractor) (hereinafter referred to as: the Contractor) has undertaken, in pursuance of Purchase Order No. _____ (dated) _____ to execute _____ (state activities under the scope of the Purchase Order) (hereinafter referred to as: the Purchase Order) and whereas it has been stipulated by you in the said Purchase Order that the Contractor shall furnish you with an irrevocable and unconditional bank guarantee, issued by a first-rate bank acceptable to the Client, in the amount of 10% of the total value of the Purchase Order as security for the fulfilment of all its obligations in all as provided for under the Purchase Order, we hereby agree to provide the Contractor with such guarantee for good and timely performance of work.

Therefore, we hereby affirm that we are the Guarantor and responsible to you, on behalf of the Contractor, up to a total of _____ (amount of Guarantee RSD/EUR) _____ (in words).

(for the bank guarantee linked to EUR)

The payment shall be effected in RSD counter-value according to the NBS middle exchange rate for EUR/RSD applicable on the collection date of the performance bond guarantee.

We, _____ (name of the bank) (hereinafter referred to as: the Guarantor) undertake unconditionally and irrevocably to pay you, upon your first demand, and without objections or cavil, any sum or sums within the limits of _____ (amount of Guarantee RSD/EUR) _____ (in words), without your needing to prove or to show grounds or reasons for your demand for the sum specified therein.

We hereby waive the necessity of your demanding the said debt from the Contractor before presenting us with the demand.

We further agree that no change or addition to or other modification of the terms and the conditions of the Purchase Order or the activities to be performed thereunder or of any Contract document between you and the Contractor shall in any way release us from any liability under this Guarantee, and we hereby waive notice of any such change, addition or other modification.

This Guarantee shall be valid until _____.

Upon the expiry of the above validity period, the guarantee will automatically become null and void, irrespective of whether or not the present document is returned to us.

Guarantor's signature and seal: _____

Name of Guarantor: _____

Address: _____

Date: _____

ATTACHMENT 3

Advance payment bank guarantee under Purchase Order no. _____ dated _____ (model)

For: Joint Stock Telecommunications Company Telekom Srbija Beograd
Takovska 2, 11 000 Belgrade, Republic of Serbia

Whereas, _____ (name and address of the Contractor) (hereinafter referred to as: the Contractor) has undertaken in pursuance of Purchase Order no. _____ (dated) _____ to execute _____ (state activities under the scope of the Purchase Order) (hereinafter referred to as: the Purchase Order) and whereas it has been stipulated by you in the said Purchase Order that the Contractor shall furnish you with an irrevocable and unconditional bank guarantee, as a financial security instrument for full and proper performance of the contractual obligations for which the advance payment is provided for thereunder, issued by a bank acceptable to the Client in the total amount of the advance payment, we hereby agree to provide the Contractor with such advance payment guarantee.

We, _____ (name of the bank), (hereinafter: the Guarantor) as instructed by the Contractor, guarantee unconditionally and irrevocably, not only as surety but as primary obligator, the payment to the Client _____ (name of the Client) on its first demand and without protest, waiving any right of objection on our part whatsoever and without its first claim to the Contractor, in the amount not exceeding _____ (amount of Guarantee in RSD/EUR) _____ (in words).

(for the bank guarantee not linked to EUR)

Unjustified advance shall be revalued by applying the consumer price index from the date of advance payment until the collection date of advance payment bank guarantee.

(for the bank guarantee linked to EUR)

The payment shall be effected in RSD counter-value according to the NBS middle exchange rate for EUR/RSD applicable on the collection date of the bank guarantee.

We further agree that no change or addition to or other modification of terms of the Contract or the supply to be performed thereunder or of any other Contract document between _____ (name of the Client) and the Contractor, shall in any way release us from any liability under this Guarantee, and we hereby waive notice of any such change, addition or other modification.

This Guarantee shall become effective as from the date of advance payment under the Purchase Order and shall be valid until the date when the Contractor has received mutually signed Minutes of Takeover of the last Facility i.e. Minutes of Quality Control or the Guarantor has repaid the Client the total claimed amount, whichever date is earlier.

Upon the expiry of the above validity period, the guarantee will automatically become null and void, irrespective of whether or not the present document is returned to us.

Guarantor's signature and seal: _____

Name of Guarantor: _____

Address: _____

Date: _____