

GENERAL PROCUREMENT CONDITIONS

Makedonski Telekom AD

Procurement and Logistics Area

GENERAL PROCUREMENT CONDITIONS OF MAKEDONSKI TELEKOM AD – SKOPJE

1. Area of application

The General Procurement Conditions of Makedonski Telekom AD – Skopje (hereinafter referred to as 'MKT' or 'the Purchaser') shall refer and apply exclusively to procurements made by MKT. Any conditions of the Vendor that are contradictory or contrary to MKT's General Procurement Conditions shall not be applied even in cases when the performance of the Vendor has previously been indisputably accepted regardless of the Purchaser's awareness of the Vendor's conditions.

Unless otherwise agreed under a contract or in the purchase order, only duly signed purchase orders and/or contracts in written form, as well as electronic formats thereof that include a valid electronic signature by authorized persons of MKT, shall be fully effective and binding for MKT.

The General Procurement Conditions hereto shall only be valid if a contract with the Vendor has not been previously signed or if some of the conditions have not been defined in the purchase orders.

The rights, obligations and conditions defined in the Contract with the Vendor or in the purchase orders shall preclude the provisions defined in the General Procurement Conditions hereto.

The acceptance of the purchase order from the Vendor shall encompass the conditions and the provisions stated in the General Procurement Conditions hereto, as well as the orders and the data included in the purchase order. Any discrepancies or amendments in other documentation of the Vendor with reference to the General Procurement Conditions stated hereto shall be unacceptable.

The commencement of the delivery of a part or the entire purchase order by the Vendor shall be deemed as acceptance of all provisions and conditions defined hereto, regardless as to whether the Vendor has confirmed the acceptance of the purchase order.

2. Integrity and accountability

(1) The Purchaser and the Vendor are to undertake all necessary measures so as to avoid any activity which could cause material damage. Either of the parties may terminate the contract (i.e. cancel the purchase order) without prior notice in the event of becoming aware of any such damaging activities.

(2) The Vendor shall be accountable for any material deficiencies of any items previously possessed thereby at the moment of transferring these to the Purchaser's risk, regardless as to whether the Purchaser had previously known of any such deficiency or not.

(3) The Contractor shall be also held liable for those material deficiencies which shall occur after the risk transfer to the Purchaser if the reason behind those deficiencies had existed beforehand.

(4) The Vendor shall be held accountable if, with reference to the item sold, there is any right on the part of a third party that excludes, reduces or restricts the right of the Purchaser and regarding the existence of which the

GENERAL PROCUREMENT CONDITIONS

Purchaser had not been notified and had not declared consent thereof to accept the item which is subject to the aforementioned right.

3. Integral parts of the General Conditions

An integral part of the General Procurement Conditions hereto of the Purchaser is:

- A duly signed purchase order comprising a description of the purchased equipment/service and its crucial and other elements.

Priority:

1. Contract
2. Purchase order
3. General Procurement Conditions
4. Prices and terms of payment

(1) The contracted price stated in the purchase order shall be a fixed price until the full implementation of the procurement, including also the delivery to the Purchaser's central warehouse or the Purchaser's facility, as stated in the Purchaser's purchase order. The price shall include transport, insurance, packaging and all other expenses which may arise in the course of the delivery/ preparation for use/ putting into operation at the Purchaser's location, unless otherwise agreed.

(2) The contracted price shall include expenses for any installations/ integrations and the performance of any subcontractors of the Vendor which are indispensable and which may be required to be performed by the Vendor even after the regular working hours, without bearing an impact on the ongoing operation of the Purchaser.

(3) The implementation of the purchase order shall also incorporate the submission of adequate instructions for operation, use and maintenance, as well as all other documents required for the proper use of the equipment, both in Macedonian and in English. All instructions and the entire documentation intended for the Purchaser shall be included in the purchase order price, unless otherwise stated and agreed in the purchase order.

(4) With reference to any delivery, the Vendor is to submit an invoice/ bill in 2 copies, enclosing a Certificate of Compliance (CoC)/ warehouse notification, signed by the persons responsible on the part of the Purchaser and the Vendor. The following is to be indicated on the invoice/ bill as a Purchaser:

Makedonski Telekom AD – Skopje, Orce Nikolov bb

The Vendor shall deliver the invoice/bill to the following address:

Makedonski Telekom AD - Skopje

Central Archive, Treasury Area, Cash Management Department

Orce Nikolov bb

1000 Skopje

(5) The Vendor's invoice is to comprise the following items; otherwise the Purchaser shall consider the invoice as incomplete and shall return it to the Vendor:

- Vendor data: name, address, tax number and bank account number

GENERAL PROCUREMENT CONDITIONS

- Purchaser data: Makedonski Telekom AD – Skopje, 1000 Skopje, Orce Nikolov bb
- Number of the Purchaser's purchase order, number of the Certificate of Compliance (CoC)/ warehouse notice
- Items prescribed by law (for example: date of the invoice, payment deadline, listed services, quantity, unit price, total price, net amount, VAT percentage and amount, etc.)
- Enclosed Certificate of Compliance (CoC)/ Warehouse Notice
- Currency.

(6) The payment shall be effectuated within a period of **90 calendar days** upon the completion of the work or delivery of the goods and the receipt of the invoice, obligatorily accompanied by a Certificate of Compliance (CoC)/ Warehouse Notice. The day when the Central Archive has received the invoice shall be deemed as the day of the receipt of the invoice. The Central Archive must put a seal/stamp with a date on every invoice. The calculation of the payment deadline is to start as of that date.

(7) Each contract with vendors having their company registered in Macedonia has to be concluded in MKD. In case of procurements from domestic vendors related with import, the contract can include a foreign currency clause as well, according to which the value of the services and/or goods can be stated either in EURO or USD, but the contract has to prescribe that vendor's invoice be issued and paid in MKD according to the middle exchange rate of the National Bank of the Republic of Macedonia on the date of issuing the Certificate of Compliance and Warehouse Notice. Any contract with foreign vendors (i.e. vendors registered in other countries) has to be concluded either in EURO or USD.

(8) A legal penalty interest shall be calculated for delayed MKD payments (the amount of the penalty interest rate shall be defined for every six month period in the amount of the reference interest rate of the basic instrument of the open market operations of the National Bank of the Republic of Macedonia, which was valid on the last day of the six months period preceding the ongoing six month period, increased by ten percent points). The interest rate for delayed foreign currency payments should not exceed EURIBOR +2% p.a. for payments in EURO, LIBOR+2% p.a. for payments in USD.

(9) The date of effectuation of the payment shall be the day when the bank account of the Purchaser has been debited.

(10) The Vendor (domestic legal/physical entity) consents that in the event of any debt thereof to the Purchaser, the Purchaser may compensate such debt with the invoice of the Vendor, without any additional consent of the Vendor. Under the foregoing circumstances, the Purchaser shall be obliged to notify the Seller as to the details pertaining to the compensation (value date, amount, detailed list of relevant invoices).

4. Permits, licenses, taxes, etc.

(1) Unless otherwise agreed, the Vendor shall be responsible for the acquirement and payment of all import and export permits or licenses necessary for the implementation of the purchase order.

(2) If the Purchaser uses the services of a foreign Vendor for which withholding tax is to be paid, the Purchaser shall be obliged, from the gross agreed price, to withhold and pay the withholding tax for the account of the Vendor, provided that:

- The Vendor is a resident of a country with which the Republic of Macedonia has not concluded an agreement for avoidance of double taxation;

- The Vendor is a resident of a country with which the Republic of Macedonia has concluded an agreement for avoidance of double taxation but the Vendor has not submitted a residency certificate; or

GENERAL PROCUREMENT CONDITIONS

- The Vendor is a resident of a country with which the Republic of Macedonia has concluded an agreement for avoidance of double taxation, has submitted a residency certificate, but in accordance with the abovementioned agreement, a part of the income may also be taxed in the Republic of Macedonia, i.e. the withholding tax shall be calculated, withheld and paid during the payment in a manner defined in the agreement for avoidance of double taxation.

(3) The prices defined in the purchase order are net prices, VAT excluded.

5. Delivery, implementation, packaging and documentation

(1) Meeting the delivery deadline is crucial for the implementation of the purchase order. The Vendor must meet the defined deadline for delivery/ implementation of the purchase order.

(2) Prior to the delivery, the Vendor is to submit a Delivery Note, including the number of the purchase order, the subject of the purchase order, the name of the Vendor, the invoice, the waybill and the data on the forwarder. The packaging shall appropriately include the number of the purchase order, the subject of the purchase order and the complete address of the Purchaser.

(3) The Vendor is free to choose the means of transport and the transport company, as well as the insurance company.

(4) The Vendor shall be obliged to provide the following documents, which need to be enclosed during transport, where applicable:

- a) Waybill (foreign vendor) 1 original and 2 copies
- b) Commercial Invoice of the Bidder 1 original and 2 copies
- c) Loading Specification 1 original and 2 copies
- d) Dispatch Note 1 original and 3 copies
- e) Insurance confirmation (foreign vendor) 2 copies
- f) Certificate of Origin (EUR 1 etc.) 1 original (foreign vendor)

(5) Prior to the delivery of the equipment, the Vendor shall send the following documents by fax:

- 1. Commercial invoice with a specification of the product prices
- 2. Loading Specification

(6) The Purchaser shall confirm the accuracy of the documents as soon as possible, but not later than 24 hours after the receipt thereof via fax, provided that the following 24 hours fall on a working day. The Vendor must not start the delivery prior to receiving confirmation from the Purchaser that the documents listed under 1 and 2 above have been received.

(7) In view of the fact that it is necessary to protect the equipment from damage or destruction during its transport to the final destination, the Vendor shall provide such packaging of the equipment as defined in the purchase order.

(8) The Vendor shall be held liable for any damage which might arise from improper packaging of the equipment that needs to be delivered.

The price of the packaging, the labels and documentation in and on the external side of the packages is included in the price of the purchase order.

GENERAL PROCUREMENT CONDITIONS

6. Contractual Penalty

(1) If the purchase order does not provide for a definition of a contractual penalty on the basis of the findings of the Purchaser in a total amount or in any other manner, in case of a delay of the performance, a contractual penalty shall be charged as follows:

(2) The Vendor shall be obliged to pay a contractual penalty to the Purchaser in the event of a delay with the fulfilment (delivery/ performance of the service), as well as in the event of a delay with the fulfilment of other obligations (repair or replacement of improper equipment/ service) in the amount of 1% a day and/or an hour of the value of the purchase order, as well as in the event of improper fulfilment of the obligations thereof, up to a maximum of 30% of the total value of the purchase order.

(3) The basis for the calculation of the contractual penalty is the purchase order, i.e. the total amount excluding VAT.

(4) If the Purchaser has suffered damages in an amount that exceeds the amount of the contractual penalty, the Purchaser shall also claim the difference to the full value of the damages.

(5) The Vendor is obliged to compensate any damage caused thereby to the Purchaser by means of failing to meet its obligations arising from the purchase order and the General Procurement Conditions hereto.

(6) The Purchaser reserves the right to seek a contractual penalty for any delay, even if the Purchaser has acknowledged that the Vendor has met its delivery obligations.

(7) If the Vendor is responsible for damage incurred based on its liability for material deficiencies in the procurement scope (Product liability), the Vendor undertakes to indemnify the Purchaser in the event of any claims for damages filed by third parties. The Purchaser is to inform the Vendor immediately of such indemnity claims, wherein the Purchaser shall not effectuate any payments or recognize any claims without prior consultations with the Vendor.

7. Failure to meet obligations by the Vendor

(1) Should the Vendor fail to meet its obligations, the relevant legal provisions shall apply, unless otherwise specified.

(2) A Purchaser that has timely and duly informed the Vendor of a deficiency may take one of the following actions:

- request the Vendor to rectify the deficiency or hand over another item that is free of any deficiency (fulfilment of the Contract);

- request a reduction in price;

- state that it is terminating the Contract.

In each of the cases above, the Purchaser is also entitled to compensation for damage.

(3) In addition to and regardless of the above, the Vendor shall also be held accountable by the Purchaser for any damage incurred with reference to other assets due to any deficiencies in the items, in accordance with the general damage liability rules specified in the Contract Law.

8. Warranty

(1) The Vendor guarantees that the products/ services ordered with the purchase order shall be delivered with the ordered quality and that the said products/ services correspond to the intended use thereof by the Purchaser.

GENERAL PROCUREMENT CONDITIONS

(2) The Vendor explicitly guarantees that the ordered and delivered products / services included herein are delivered free of defects in manufacturing, material and implementation, and that they fully match the specifications, instructions, drawings, data, valid regulations and samples (if any).

(3) The warranty period provided by the Vendor/ manufacturer begins on the day of transferring the risk or, if an acceptance test is required, upon the successful completion of such an acceptance test by the Purchaser, i.e. the putting into operation of the goods/ service.

(4) The Vendor/ manufacturer is obliged to provide and submit to the Purchaser the warranty list (wherein the Vendor/ manufacturer guarantees the proper functioning of the item for a specified period of time, calculated from the day of the handover or the day of putting into operation) which must contain:

- Name and headquarters address of the Vendor (warranty issuer);

- Product identification data;

- Warranty statement and warranty terms and conditions;

- Duration of the warranty period;

- Name of the Purchaser, sales date, seal and signature of the authorized employee, and, if the contract is related to plants, devices, equipment and other assets, name and headquarters address of the Vendor, date of putting into operation and the signature of the authorized employee.

(5) In the event of improper functioning, the Purchaser shall request the Vendor/ manufacturer to repair or replace the product (within the deadline stipulated in the purchase order).

(6) The Vendor shall bear the costs of material, spare parts, work, transfer and transport of the equipment/ product incurred during defect clearance or replacement of the product with a new product based on the warranty.

The Vendor is obliged, at the expense thereof, to transport the item/ product to the location where it is to be repaired or replaced as well as to return the repaired item/ product to the Purchaser.

In the course of these activities, the Vendor / manufacturer bears any risk of the item being destroyed or damaged.

(7) In the event of a complaint (repair or replacement) that has occurred during the warranty period, the warranty period shall be extended for a period equal to the period of time during which the Purchaser was unable to use, either partly or fully, the equipment/ service; or it may be resolved that a new warranty period begins again from the time of the replacement.

(8) Any product (equipment) that has not been accepted by the Purchaser due to incompatibility with the purchase order or lack of quality or if a complaint occurs during the warranty period, shall be returned to the Vendor at the expense of the Vendor, including transport and handling costs. The Purchaser may request from the Vendor to cover the costs of checking the delivered equipment.

If the delivered equipment/ service does not meet the conditions and provisions specified in the purchase order, the Purchaser reserves the right not to accept the entire delivered equipment/ performed service, or partially accept the delivered equipment/ performed service, or fully accept the delivered equipment/performed service. Regardless of the actions of the Purchaser, the Purchaser reserves all rights in relation with the Vendor in the event of inappropriate delivery.

9. Environment protection

The Vendor must comply with the rights and obligations in the provisioning of the conditions for protection and promotion of the environment and nature.

GENERAL PROCUREMENT CONDITIONS

10. Risk transfer

(1) Until the handing over of the goods to the Purchaser, the risk of accidental destruction or damage of the goods shall be borne by the Vendor, whereas upon handover of the goods, the risk shall be transferred to the Purchaser.

(2) The risk shall not be transferred to the Purchaser if the Purchaser has terminated the contract or requested that the goods be replaced due to faults in the transferred goods.

(3) Should the transfer of goods not be carried out due to delay on behalf of the Purchaser, the risk shall be transferred to the Purchaser at the moment when the delay was initiated.

(4) When the scope of the contract comprises goods determined on the basis of the type thereof, the risk shall be transferred to the Purchaser with a delay if the Vendor has individually itemised the items evidently intended for the handover-takeover and has informed the Purchaser thereof.

(5) When the goods determined on the basis of the type thereof are of such a nature that the Vendor is unable to individually itemise a part thereof, it is sufficient for the Vendor to have performed all activities necessary for the Purchaser to take over the goods and duly informed the Purchaser thereof.

11. Patent rights, trademark and industrial property rights of third parties

(1) The Vendor shall guarantee that the sale or use of equipment/services covered by the purchase order is not in breach of any patent protection rights, trademark or industrial property rights valid in the Republic of Macedonia or abroad.

(2) The Vendor shall pay indemnification to the Purchaser regarding all initiated procedures and damage incurred from all court decisions, taxes, and attorney fees arising from any such breach of patent rights, trademark and industrial property rights, upon the first request in writing by the Purchaser addressed to the Vendor.

(3) In the event of the sale of equipment/ services with protected patent rights, trademark or industrial property rights by third parties, the Vendor, upon a prior written approval granted by the Purchaser, shall be entitled to purchase:

- On behalf of the Purchaser and provide the Purchaser with the right to usage; or
- Return the delivered equipment or part thereof, whereby the industrial property rights of the third party shall not be breached; or
- Accept the refusal of the Purchaser to accept the equipment/ services and request reimbursement of the funds paid (if any) and any costs incurred by transportation, installation, etc.

(4) The Purchaser shall not be liable for any indemnification towards the Vendor in the event of breach of the industrial property right of a third party.

12. Confidentiality

(1) The Purchaser and the Vendor must keep as confidential all information arising from the scope of operation of the other party which has come to their knowledge via their business cooperation and which is not available to the public. Such information shall not be used by third parties.

(2) All information arising from the purchase order shall be considered as confidential with reference to any party other than for the members of DT (Deutsche Telecom) and MKT Group (MKT and T- Mobile Macedonia AD).

(3) Prior to submitting the confidential information to third parties, including the sub-vendors, the Vendor must obtain consent in writing from the Purchaser.

GENERAL PROCUREMENT CONDITIONS

13. Anti-corruption provision in General Procurement Contractual Conditions

The Vendor is aware of MKT's obligation to comply with the anti-corruption rules relevant to the contracting parties and represents with the conclusion of the contract the Vendor agree that it will not use money or other consideration paid by MKT for unlawful purposes, including purposes violating the Law on Prevention of Corruption of the Republic of Macedonia anti-corruption laws, such as make or cause to be made direct or indirect payments to any governmental official¹, in order to assist Makedonski Telekom AD - Skopje or anyone acting on their behalf in obtaining or retaining business with, or directing business to, any person or securing any improper advantage.

Members, officers, employees and owners of the Vendor are not a government official and the Vendor does not and will not employ or otherwise compensate or offer to compensate any government officials, or make or cause another to make any direct or indirect offers or payments to any government officials, for the purposes of influencing or inducing any decision for the benefit of MKT.

If members, officers, employees and owners of the Vendor are government officials, they are obliged to make a statement on the position filed at the particular government office in a separate declaration.

The Vendor will not employ any sub-contractor, consultant, agent or representative in connection with this Agreement without a thorough documented examination of his person, reputation and integrity.

The Vendor will not employ any sub-contractor, consultant, agent or representative who does not comply with the anti-corruption rules and in case any such violation comes to its attention it informs MKT immediately,

The Vendor will supply information within fourteen days upon a written request from MKT concerning the counterparty's receipt and use of payments under this Agreement, as well as all information regarding payments for employment of sub-contractor, consultant, agent or representative, in connection with this Agreement.

MKT may immediately terminate this Agreement if the Vendor violates the Law on the Prevention of Corruption of the Republic of Macedonia and the provisions defined in the General Contractual Conditions .

14. Closing provisions

(1) The Purchaser may cancel the purchase order in accordance with the legal provisions, wherein it shall also be entitled to cancel it at the discretion thereof, unilaterally and without a notice period.

¹ Government official in terms and for the purposes of anti-corruption rules and the principles includes: persons elected according to the Election Law of the Republic of Macedonia; persons under the scope of the Law on Civil Servants of the Republic of Macedonia; officers, office holders or employees of (i) a government or any other state sector, agency, or instrumentality thereof (legislative, administrative and judicial), (ii) a regional governmental body or (iii) a public international organization; persons acting in an official capacity or exercising a public function for or on the behalf of any such government or department, agency, or instrumentality thereof, regional governmental body or public international organization; officials of a political party (or the political party as a whole); candidates for government office; officials of international public organizations, such as the United Nations or the World Bank; individuals who have a functional authority as an official, but are not actually in the employment of the government; consultants and special advisors of governments or government officials; officers and employees of state-owned enterprises, even the those operating with a commercial capacity, including hospitals and health institutions.

All persons with the status of government officials can provide certain services to Makedonski Telekom AD - Skopje, if the provisioning of such services does not violate the accepted and incorporated principles in the Policy on compliance with anti-corruption principles for assisting Makedonski Telekom AD - Skopje to obtaining or retaining business.

GENERAL PROCUREMENT CONDITIONS

(2) For all issues not regulated in the purchase orders or the General Procurement Conditions of the Purchaser, the provisions of the Contract Law and the laws in the Republic of Macedonia shall apply.

(3) In the event of a dispute, the competent court in Skopje, the Republic of Macedonia, shall settle the dispute in accordance with Macedonian legislation.

(4) Should any of the provisions from the General Procurement Conditions not be valid with reference to the respective purchase order, the remaining provisions of the General Procurement Conditions shall continue to be valid for the purchase order.

(5) The purchase order, rights and obligations arising thereof must not be allocated, assigned or transferred to any third parties without prior consent in writing by the Purchaser and any attempt to transfer such rights or obligations, or any obligation transferred by the Vendor to a third party without consent in writing from the Purchaser, shall be considered as null and void.

(6) Only the terms stated in these General Procurement Conditions shall be considered as a valid and binding agreement between the Purchaser and the Vendor, unless otherwise stated in the Purchaser's purchase order.

The Vendor must accept, or refuse, the order within 3 (three) working days of its delivery date to the Vendor by electronic means of communication, fax or in writing to MKT's address, thereby confirming the order as fully accepted and compliant with the General Procurement Conditions.

Should the Vendor fail to refuse the purchase order within the defined deadline, it shall be deemed that the Vendor has accepted the order.

The General Procurement Conditions hereto shall enter into force on the day of adoption thereof, and shall apply as of the day of their posting on the official web site of Makedonski Telekom AD.