

**LITHUANIAN AND GERMANY PRIVATE LIMITED LIABILITY COMPANY HI-STEEL  
GENERAL TERMS AND CONDITIONS OF PURCHASE**

Approved:

By order No [] of the general manager of Lithuanian and Germany private limited liability company HI-STEEL  
[]

Valid from [].

**1 Article. General**

1. Definitions used in these general terms – supplier/suppliers, supply contract and processing orders, shall mean:
  - 1.1. Supplier/suppliers are all persons that we (hereinafter the customer) contact for supply of products and services;
  - 1.2. Supply contracts are all contracts including but not limited to sale and purchase contract, contract agreements and service contracts;
  - 1.3. Processing orders are, among others, all orders for processing and re-fabrication.
2. For convenience, products and services purchased/supplied on the basis of these terms and conditions shall be hereinafter referred to as the product(s).
3. Legal relations between us and our suppliers are governed exclusively by these terms and conditions, unless differently agreed in individual cases. The parties shall agree in writing on any changes and modifications of these general terms and conditions.
4. Supplier's terms, where they contradict to the provisions of these general terms and conditions, shall be void.

**2 Article. Terms and conditions, order, offer**

1. These general terms and conditions constitute an integral part of all contracts and/or orders between the customer and the supplier. By accepting the order, the supplier recognises and accepts these general terms and conditions.
2. Unilateral conditions of the supplier, especially his terms of sale and delivery, shall not constitute an integral part of contracts and/or orders between the customer and the supplier and shall be legally invalid even when the customer does not object to them.
3. All agreements and changes and/or supplements thereof between the supplier and the customer shall be made in writing.
4. The order shall be valid for both contracting parties when it is placed by the customer in writing, and confirmed by the supplier without any reservations within 24 hours from the moment of order placement. The customer is entitled to withdraw the order before it is confirmed by the supplier in writing.
5. The supplier must accurately comply with the instructions of the order, and in case of deviations clearly specify them and obtain written consent from the customer in writing.
6. Apart from contracts for ready-made products, or for certain types of contracts, the customer may request the supplier to make changes in the product in the cases where the supplier is able to make such changes. The parties agree in writing on any modifications of the product and specify the conditions of fulfilment of such order – compensation of higher costs, extension of delivery deadlines, etc.
7. Supplier's offers shall be binding if the customer accepts them within a reasonable period of time, . The supplier shall not be entitled to include the costs for offers, design drawings and other preparation works in the bill. They shall be performed free of charge and shall not be binding to the customer in any way. Orders must comply with the customer's queries; changes or alternatives must be specified clearly.
8. The supplier has no right to transfer orders to third parties in part or in full without the prior written consent of the customer. This entitles the customer to withdraw from the contract in part or in full, and to require compensation for damages.

**3 Article. Collection of information, customer's instructions, work not according to instructions**

1. If additional information is required to prepare the offer, the supplier must contact the customer for provision of additional information. By submitting the offer, the supplier confirms that he has all information and conditions necessary for providing the order. This concerns especially the contents of the inquiry, the local conditions, location of the site as well as the traffic conditions. If the supplier requires additional information, he must request it from the customer. The supplier may not rely on incorrect information or justify his actions with lack of information.
2. Unless clearly specified otherwise, the instructions of the order shall be binding to the supplier. Any possible discrepancies must be clearly specified and justified in the offer. They are allowed only when the customer confirms them in advance in writing.
3. Work deviating from the order performed by the supplier, and additional work not confirmed by the customer in writing, shall not entitle the supplier to require payment for such work.
4. Order confirmation shall constitute the statement of the supplier that he has verified the documents transferred to him, and confirms that they are sufficient to fulfil the order.
5. If the customer requests to perform the work which the supplier has not undertaken to perform in the contract, the supplier shall be entitled to require additional compensation from the customer only if the supplier notifies the

customer of such additional compensation before starting to perform the additional work and the customer confirms the supplier's requirement on the payment of additional compensation in writing.

#### **4 Article. Supply contracts, their duration and implementation**

1. The supply contract is legally effective when the customer places an order with the supplier by email, and the supplier confirms the order by email within 24 hours from the date of placing the order. Terms and conditions of the contract shall mean the terms and conditions specified in the order.
2. If the supplier is subject to sanctions related to external trade, or if an investigation is initiated, he must notify the customer thereof, and the customer shall be entitled to discontinue the business relations with such supplier, and shall have no obligation to compensate the supplier for losses/damages in this respect.
3. Transfer of customer's orders to third parties without written consent of the customer shall be prohibited, and shall entitle the customer to withdraw from the contract in part or in full, and require compensation for damages.
4. The customer may require that changes be made to the original order of the product if the supplier is able to perform them. The parties agree in writing on any modifications of the product and specify the conditions of fulfilment of such order – compensation at higher costs, extension of delivery deadlines, etc.
5. Only in case of purchasing raw materials and serial parts, and for machining/conditioning parts, the orders and supply plans shall be based on the demand from the corresponding clients of the customer, which may change. For this reason, the customer reserves the right to change quantities and terms, i.e. depending on changes of orders made by clients.
6. Unless specific contract expressly specifies otherwise, the following shall apply for execution and supply plans:
  - 6.1. forecast of demand:** the customer shall submit to the supplier the forecast for the upcoming months, i.e. forecast for the quantities of products to be purchased. This forecast shall not be binding, and shall be based on the forecast submitted by the customer's client;
  - 6.2. permission to purchase the materials:** within the period of 30 calendar days the supplier shall be entitled to purchase raw materials and to distribute materials on the basis of the customer's orders. If the customer does not give instruction to manufacture the product, he shall be obliged to take from the supplier the materials purchased for this period, or to compensate the supplier for the costs if the supplier cannot use these materials for other purposes.
7. If more products are produced, or, accordingly, more materials are purchased, the customer is not required to accept them. Quantities indicated in the order request shall not entitle to start the production. These quantities shall only mean non-binding forecast.
8. Contracts and orders may be terminated for important reasons according to the procedure specified by law. This shall also apply for contractual relations with limited term.

#### **5 Article. Place of supply (delivery), packaging, transfer of risk**

1. Unless differently agreed to in writing, the supply shall be performed under the DDP Incoterms 2010 (the seller is responsible for arranging carriage and delivering the goods at the named place, insurance, cleared for import and all applicable taxes and duties paid. The supplier delivers the goods to the address specified by the customer, shall cover all costs related with the cargo and assume the risks until the goods are delivered to the address specified by the customer).
2. The risk of accidental damage/destruction of the delivered goods shall be transferred to the customer upon acceptance of the items.
3. When the agreed delivery dates are not complied with, the customer shall be entitled to determine the appropriate method of sending, in the opinion of the customer. In such case, higher transportation costs shall be borne by the supplier.
4. A valid bill of lading shall be issued for each delivery. It must indicate the order/call-off order number, order/call-off order date, product number and name, quantity, weight (gross/tare), supplier number and supplier's address.

#### **6 Article. Delivery terms, late deliveries**

1. Delivery date specified in the contract shall be binding. If the supplier is aware that he is unable to perform his contractual obligations on time, in part or in full, he must notify the customer immediately by indicating the reason, and indicate a new delivery term, however, this shall not exempt him from his obligation to comply with the specified delivery term.
2. Compliance with the delivery date is determined based on the date of the receipt of products by the customer, or, if so agreed – when the product is installed, unless differently specified in the contract between the parties. If, contrary to the provisions of Article 5 part 1 of these terms and conditions, the parties have agreed that the customer shall collect the product at its own cost, the supplier shall notify of the readiness of products at the latest two days before the deadline for delivery, by notifying the customer via email, and shall keep the product (including its corresponding packaging) ready for collection.
3. If the supplier is late to deliver the products, the customer shall be entitled to require compensation for damages in the fixed amount, i.e. 0.25% of the value of goods to be delivered and activity value for each calendar day, however, to the amount not exceeding the total contract value. The supplier shall have the right of proving that the customer has not experienced damage or value reduction, or it has been lesser than the specified fixed amount. The customer

shall have the right of proving that the damage was higher; in this case, the customer shall be entitled to require a higher compensation of damages.

4. Only in case of purchasing raw materials and serial parts and for machining/conditioning parts: at the request of the customer, the supplier shall bound to have reasonable additional stock of materials without a separate compensation.

#### **7 Article. Verification of functions, test runs, acceptance**

1. Only applies for production of tools and means: unless differently specified in a separate contract or in the order or in the tender protocol, a test run period of eight weeks shall apply for the product.
2. For ordering of tools, after manufacturing a small amount of them, their functional control shall be performed and when the serial production is allowed, the test run period of eight weeks shall apply. After this period, if no defect of tools has been found, the customer shall accept the tools on the basis of the written acceptance report in the form prepared by the customer.

#### **8 Article. Payment, invoice and bill of lading**

1. Payment shall be made in cash or by bank transfer, at the customer's choice.
2. Unless otherwise agreed, payment shall be made within 30 days from the date of receipt of the properly issued invoice.
3. Invoices for means of production and tools shall be issued and submitted to the customer in the following terms and procedure:
  - 3.1. 40 % after the placement of order;
  - 3.2. 40 % after the delivery of test samples;
  - 3.3. 20 % after the approval of test samples.
  - 3.4. Invoices for the means of manufacture shall be paid within the deadline specified in part 2 of this article.
4. If the acceptance occurs earlier, the payment shall be made within the agreed term.
5. The customer shall be entitled not to make due payments if there are claims for work not completed by the supplier or the work performed improperly/with poor quality. The supplier shall have the right to make set offs or use the right of withholding payments only because of legally valid or undisputable counter-claims.
6. Without the written approval of the customer in advance, which may not be withheld without a good reason, the supplier shall not be entitled to transfer his claims against the customer to third parties, or to delegate the recovery to third parties.
7. Invoices should preferably be sent via email to the address indicated in this contract, or as a single copy to the accounting office. Invoices must contain the supplier's number, the order number and date (or, accordingly, agreement of the purchase and supply), additional information of the customer (accounting details), place of unloading, number and date of the bill of lading, and the quantity of invoiced products.

#### **9 Article. Confidentiality, rights and obligations related with the transferred items**

1. Partners to the contract undertake to keep confidential all publicly not known commercial and technical details which will become available to them during their business relations. This obligation shall remain valid after termination of business relations.
2. If during the order fulfilment the supplier makes moulds, patterns, drawings, lithographs, tools etc., they shall also be subject to the confidentiality obligation.
3. All property and copyright to illustrations, drawings, calculations, performance instructions, product descriptions, and other documents and items and tools, fixtures, components, samples and other items given by the customer to the supplier for the purposes of production, shall be owned by the customer. They may be used only for performance of contractual work and may not be transferred to third parties or otherwise made available, and must be protected against third parties, i.e. also after termination of the contract. Where it is necessary to reproduce information, it is allowed only when it is required by the company and is not contrary to the copyright. Products manufactured according to the customer's instructions and/or using the items transferred by the customer, may not be transferred to third parties neither in their initial composition nor as semi-products, or as a ready-made products. The same applies for the parts developed and/or manufactured by the supplier according to the customer's information.
4. Items given by the customer may be used only for work performed for the customer's interest, i.e. for their processing, correction or assembly (processing in manufacture).
5. Without the prior written consent of the customer the supplier may not publicise his business relations or products manufactured to the customer.
6. Subcontractors must assume the corresponding obligations. The supplier is obliged to ensure the compliance of confidentiality obligations referred to in Article 9 of these terms and conditions by his employees and subcontractors.
7. Written communication between the supplier and the customer's client related with the product shall be allowed only with the written consent of the customer.

#### **10 Article. Property rights, rights of use and requirement for issue**

1. Agreement on the title of investment goods, drawings, structures, tools and other documents (subject of the order) prepared by the supplier according to the customer's order shall be as follows:
  - 1.1. The title to the product and production tools and accessories, and design drawings shall transfer to the customer, i.e. in proportion to the paid value of order.
  - 1.2. The supplier shall keep the means of production which are not delivered to the customer and which the supplier is using in performing the repeated production, free of charge for three years from the last transfer of products to the customer. If the new order is not submitted by the end of the time indicated in this paragraph, and the customer does not submit a written request to keep the means of production for a longer period, and/or the parties do not agree on the conditions for keeping the means of production for a longer period, the supplier's obligation to keep the means of production shall cease;
  - 1.3. Before the end of production the customer may require to issue the product with the means of production, accessories and design drawings, if the bankruptcy proceedings are opened in respect of the supplier's property or when forced recovery is performed in respect of the supplier's property and it affects the completion of work on time, and/or if the customer's rights are violated and when the supplier is no longer able or does not want to prepare the product as provided in the contract, accordingly, within the agreed deadline. In these cases the customer shall be obliged to pay to the supplier for the services rendered, i.e. in proportion to the order value, with the right to offset additional costs and other requirements in excess of the compensation for the products.
  - 1.4. Design, drawings, data collection, tools and other documents prepared by the supplier in implementing the customer's order, can be used only for the customer; he can use them everywhere and to unlimited extent; he can work himself, or delegate the manufacturing work to third parties. The supplier is obliged to protect the design, drawings, datasets, tools and other related documents against third parties, and not to use them for his own benefit or the interests of third parties.

## **11 Article. Quality and documents**

1. In delivering the products, the supplier must comply with the recognised technical rules, safety instructions and agreed technical specifications. Product changes are allowed only with a prior written consent of the customer.
2. The following shall apply in case of acquisition of raw materials and serial parts by the customer from the supplier, and for orders on processing work:
  - 2.1. Testing of the first sample is performed on the basis of accordingly valid instructions of the customer's client. Regardless of that, the supplier must continuously check the quality of the delivered products. The contractual partners shall provide information to each other on possibilities for improvement of product quality;
  - 2.2. Where there is no clear agreement on the type and scope of inspections, and testing means and methods between the supplier and the customer, the customer, at the supplier's request, based on his knowledge, experience and possibilities, shall discuss the measurement tools, i.e. help to identify the necessary status of testing technique. Moreover, at the supplier's request, the customer shall inform him of the pertinent safety provisions;
  - 2.3. The supplier recognises and confirms the customer's quality terms which may be downloaded from the website: <http://www.histeel.lt> and undertakes to comply with them.

## **12 Article. Claims on defects, warranty/liability, terms of validity of liability**

1. The customer shall have no obligation to constantly check the incoming products. He shall only check separate products randomly, with respect to clearly visible defects. Firstly, the customer shall check the product quantity, dimensions and weight.
2. The supplier's products shall be covered by 2 year quality warranty. The quality warranty term shall begin at the moment of delivery - receipt of products.
3. It shall be assumed that the claim on quality defects has been submitted on time when the supplier is notified of clearly visible (obvious) defects at the latest within 5 business days after delivery of the products. The customer may make claims on unseen or hidden defects later, i.e. within 5 business days from the date of their discovery.
4. Accepting or confirming the delivered samples or prototypes does not mean that the customer renounces his warranty claim.
5. When the supplier receives a written claim on defects, their warranty term shall be stopped until the supplier rejects the claims or notifies of the remedy of defects, or refuses from negotiation on defects. Upon delivery of replacement parts or after rectification of defects, the warranty term shall apply for replaced or repaired details from the beginning.
6. The supplier is obliged to grant the right and ownership to the customer to the products without any shortcomings and effects.
7. It shall be assumed that the product has defects when it does not comply with the drawings.
8. The supplier guarantees that the delivered product meets the specifications, drawings indicated in the order and legal requirements.

9. Where product defects are found and in case of violation of the obligations of the supplier, the claims and rights of the customer indicated in the Civil Code of the Republic of Lithuania shall apply.
10. In addition to the customer's rights provided for in the Civil Code of the Republic of Lithuania, the parties additionally agree as follows:
  - 10.1. If the supplier fails to perform his obligations within a reasonable period of time indicated by the customer, which in urgent cases may be very short, the customer may make corrections himself or delegate it to third parties at the supplier's cost, if the supplier has no legal objections to the corrections. It is not necessary to specify the term even when corrections have failed or if it's not reasonable to request such from the customer;
  - 10.2. When additional work is required (e.g. sorting, corrections) at the site or in the plant, where the products are delivered, the supplier undertakes to make corrections in that location at his own cost, or delegate this task to third parties. To avoid the suspension of work, this must be done immediately. In other cases, the customer and/or persons participating in the supply chain are entitled to perform the work at the expense of the supplier, or delegate it to third parties.
  - 10.3. In purchasing raw materials and serial parts, and for processing orders, if the customer finds product defects in the beginning of production (processing or installation), the customer shall enable the supplier to sort them or for supplementary performance (rework or additional supply), provided it is done immediately; otherwise, the customer shall be entitled to rectify defects himself and the supplier shall compensate for the costs.
  - 10.4. If the defect is discovered only after the start of the production, the provisions of Article 12, part 12, p. 12.1-12.3 above shall apply, and the customer shall be entitled to require the compensation of additional costs, e.g. on processed parts;
11. The supplier shall comply with the applicable laws of the European Union and the Republic of Lithuania in respect of product delivery. He undertakes to supply to the customer only the products meeting the requirements of these laws. He must take care to implement all obligations related with the registration, evaluation, classification to the group, and material permits and he must, in his capacity as a manufacturer, and in respect of the corresponding products, in his capacity as an importer, perform all corresponding tasks and obligations, including the obligation of providing information. The supplier shall immediately notify the customer of all important legal instructions, i.e. when the product is modified, product delivery method is changed and possibilities of using the product and its quality are altered because of such instructions, and, if necessary, shall discuss the measures to be taken with the customer. This shall also apply in the case where the supplier learns that such changes will happen.

### **13 Article. Supply of spare parts**

1. The supplier is obliged to guarantee the supply of spare parts for at least 15 years after the end of production of serial parts, unless differently agreed in writing. Parts' specific manufacturing equipment (in particular, tools/machinery) shall be maintained in operating condition. The supplier must store, maintain them and keep them in operating condition at his own cost and risk. Parts' specific manufacturing equipment, regardless of the property rights, may be converted to scrap only with clear written consent of the customer also after this period. The agreed serial price shall be valid for five years after the termination of serial manufacture of parts.

### **14 Article. Product liability, exemption from liability and insurance coverage**

1. If the supplier is liable for damage caused in relation with his deliveries/work, he shall indemnify the customer against any claims of third parties brought against the customer according to the Law on Product Safety of the Republic of Lithuania or similar legal requirements of the Republic of Lithuania and foreign countries.
2. Within this framework the supplier undertakes to reimburse all costs incurred by the customer for the recall of products. The customer shall notify the supplier of the content and scope of the recall of products, and give him an opportunity to express his opinion.
3. The supplier undertakes to obtain third-party liability and product liability insurance for products at his own cost, to cover third-party requirements on compensation for damage in case of delivery of faulty products or insufficient performance, or violation of other obligations of the supplier. Where the customer buys raw materials and serial parts from the supplier, and in case of processing orders the supplier undertakes to have the insurance of the recall of vehicles which shall cover the costs of notification, transportation, checks, sorting, storage, dismantlement, installation and destruction, in case of recalls made by vehicle manufacturers or authorities.
4. In such cases, the amount of insurance shall be no less than €5 millions per case of damage and year of insurance. The supplier shall maintain the aforementioned insurances during the period of contract and submit the corresponding insurance policies to confirm the validity of insurance, at the customer's request.

### **15 Article. Rights of third parties**

1. The supplier shall be liable to guarantee that third parties have no rights to the ordered products, and that the products can be used or sold without violating the rights of third parties.
2. The supplier shall be liable for claims in respect of the violated property rights or applications for industrial property protection. He shall indemnify the customer and the contractual partners from all claims regarding the use of such rights. The condition indicated in this part shall not be valid if the supplier has manufactured the items according to

the customer's drawings, models or descriptions, and was not aware or could not have been aware of violation of the rights of third parties.

#### **16 Article. Code of conduct**

1. The customer abides with socially responsible policy all over the world. In particular, in performing his activities he assumes responsibility for his company, clients and suppliers in the value creation chain and in respect of the environment and society. The customer abides with the guidelines on general values related with social responsibility to the society and fair competition. The supplier is obliged to comply with these principles and instruct other participants in the supply chain to comply with them.

#### **17 Article. Energy management system**

1. In purchasing products and services that may be related with high energy consumption, decision on such purchase shall be made depending on the energy issue (energy input, consumption and efficiency). Therefore, the supplier and his suppliers undertake to use energy and natural resources responsibly in the manufacture of their products. This shall apply to the entire supply chain, i.e. from selection of raw materials to effective and environmentally friendly use of energy in production, and application, packaging and transportation of products, to their use and disposal.

#### **18 Article. Final provisions**

1. If one of the contractual partner suspends his payments or if bankruptcy proceedings are open in respect of his company and such proceedings are not discontinued within three months, the other partner of the contract shall be entitled to withdraw from the uncompleted part of the contract and/or require the compensation of damages in this respect.
2. The laws of the Republic of Lithuania, unless agreed differently, shall be applicable. The United Nations Convention on the International Sale of Goods of 1980-04-11 shall not apply.
3. Place of fulfillment shall be the customer's headquarters. The place of jurisdiction for contracts with traders, legal public entities and public investment companies shall be the court within the jurisdiction of which the customer operates.

#### **19 Article. Severability**

1. If any several provisions of this contract and/or the provisions of contractual agreements become void, this shall not apply to the validity of the remaining contract. In this case, the parties agree to replace the invalid provision with a legally effective provision, which, to the extent possible, shall have the same legal and economic effect as the modified provision or which, as far as it is possible, equates the one the contractual partners wanted to put in effect or would have agreed upon, had they taken this point into consideration at that time.