

GENERAL TERMS AND CONDITIONS OF PURCHASE of Rheinmetall Defence Electronics GmbH

Issue: 05-2008

These terms and conditions are an integral part of all contracts concluded with our suppliers and contractors (both hereinafter referred to as „Supplier“), including current or future business relations. Any deviating agreements require our express written consent to become part of a contract. The Standard Terms and Conditions of Business of our suppliers and any conditions that diverge from our order letters or from these Standard Terms and Conditions of Purchase shall only apply if they have been expressly recognised by us in writing; this also applies in the event that our supplier makes reference to his Standard Terms and Conditions of Business when making the offer or when confirming the order.

1. Offers, Orders

1.1 The Supplier shall submit offers to us free of charge, and such offers shall be binding.

1.2 The Supplier agrees to furnish the notice of exemption required as of 01.01.2002 together with any submission of proposals to our company.

1.3 Our orders and other statements are only binding on us when we have made them in writing.

2. Supplies and Services

2.1 The Supplier shall provide his supplies and services in good merchantable quality, brand-new and packaged in accordance with the relevant product and deliver them, on schedule, to the place of receipt/use stated in the order. Unless any further requirements are specified in the order, the Supplier warrants to provide the supply/service in good merchantable quality and - insofar as DIN, VDE, VDI or equivalent standards exist - in accordance with the latter as well as in accordance with the legal and technical rules applying at the designated place of receipt/use of the delivery item/service.

2.2 In the case of contracts which comprise/include software and consultancy services and also in the case of changes to such contracts, the Supplier shall immediately agree with us a specification in which the supplies and/or services to be provided by the Supplier are stipulated in detail. Prior to conclusion of the contract, the parties will clarify if the relevant specification is to be prepared by the Supplier before or after conclusion of the contract.

2.3 The Supplier agrees to supply the program documentation, in particular the source code, if the user software has been developed especially for us.

2.4 The Supplier shall transfer to us any rights of ownership and possibly existing protective rights in the goods delivered to us immediately, however at the latest upon full payment of the price agreed for the relevant delivery item/service. Already upon delivery, and if permitted by law, the Supplier shall transfer to us an exclusive right of use complying with and permitting the contractually required use of the delivery item/service.

3. Prices

3.1 All prices are quoted as fixed prices excluding VAT.

3.2 The prices include the payment for all supplies and services entrusted to the Supplier (including any necessary certificates, drawings, valuations etc. in the language required by and agreed with us).

3.3 All prices are quoted free at the place of use specified by us; DDP according Incoterms 2000.

3.4 Any additional services shall be paid for by us only if the Supplier has been commissioned by us accordingly in writing prior to commencement of work by the Supplier.

4. Dates, Deadlines

4.1 The delivery periods agreed with the Supplier begin to run upon contract conclusion. Dates for delivery and completion shall be strictly complied with.

4.2 If it becomes obvious that a date is possibly not going to be met, the Supplier shall immediately inform us in writing of the reason and the expected length of the delay. Notwithstanding this, the failure to meet any deadline initiates the statutory consequences of default.

5. Contractual Penalty

5.1 In the event of a failure to meet agreed dates and deadlines, the Supplier shall pay to us a contractual penalty amounting to 0.1 % of the price of the relevant contractual supply and/or service, per each calendar day of default by the Supplier, up to a maximum of 5 % of the agreed price - even if several dates / deadlines were not met within the scope of the relevant contract.

5.2 Reservations with regard to the contractual penalty can be made until final payment.

5.3 Payment of the contractual penalty will not discharge the Supplier from complying with the contractual obligations and possible further (damage) claims.

6. Production Inspections, Final Checks, Weight

6.1 We reserve the right during production and prior to delivery to check the quality of the material used by the Supplier, the accuracy of measurements and quantities of the parts manufactured and the observance of other regulations at the Supplier's works or at his supplier's works.

6.2 We are entitled to reserve the right to carry out a final check of the completed delivery item/service in the Supplier's works either ourselves or through a third party instructed by us. The costs of such checks shall be charged to the Supplier, with the exception of the costs for the personnel assigned by us.

7. Packing, Dispatch, Acceptance

7.1 The Supplier shall provide suitable packaging at his own expense.

7.2 On the day of departure of the consignment, the Supplier shall transmit to us a notice of dispatch in triplicate quoting our order number, the quantity dispatched and the exact description of the goods. Each consignment is to be accompanied by a packing slip in neutral form which shall contain the same information as the notice of dispatch. If there is no packing slip, we are entitled to refuse acceptance of the consignment at the expense of the Supplier and/or to place to the Supplier's account any resultant additional costs incurred to us.

7.3 We are not obliged to accept part, excess or short deliveries which have not been agreed. The specified dimensions and weights established upon receipt of the goods shall be decisive.

7.4 In the case of force majeure, strikes and lockouts as well as other unforeseeable circumstances beyond our control, we are entitled to postpone the receipt or acceptance of the relevant delivery item/service.

8. Risk, Furnished Equipment, Reservation of Title

8.1 Unless otherwise agreed in writing, the risk of accidental loss and accidental deterioration of the delivery item/service will be borne by the Supplier until delivery and/or acceptance at the place of receipt/use specified in our order.

8.2 The Supplier is liable for the loss of and damage to goods furnished to him. He shall inform us immediately about any impairment of such goods.

8.3 Goods furnished by us are treated and processed on our behalf and remain our property at every stage of treatment and processing. In the event of processing with other goods not belonging to us, we are entitled to joint ownership in the new product produced, i.e. in proportion of the value of our order to the value of all goods used in the production as well as the Supplier's expenditure for the processing of same. To this extent, the Supplier holds the goods for us free of charge. The same applies if our property should be lost through blending or combination.

8.4 The Supplier may use all documentation and data which we make available to him only for the purpose of handling an offer and executing the supply/service ordered. He shall hold them carefully and protect them against access by third parties. They shall be returned to us - together with all transcripts or copies - immediately and without being asked after handling of our inquiry or after execution of the delivery ordered. The Supplier may not use, copy or make available to third parties the aforementioned documentation and data for any purpose beyond the scope of the contract.

9. Invoices and Payments

9.1 After performance of the contractual supply and/or service, the Supplier shall submit invoices to us for each order, separately and in triplicate, quoting the order number and date, call number and date and including a copy of the delivery note. The VAT shall be shown separately in each case. In the absence of these details or if they are inaccurate or incomplete, default in payment shall not arise.

9.2 The Supplier agrees to include in all invoices not only the turnover tax identification number, but also - clearly visible - the taxpayer identification number allocated to him by his responsible local tax office.

9.3 We make payment after receipt of the delivery item and the invoice within 30 days with 3% discount, within 60 days with 2% discount or within 90 days without discount. A delivery executed prior to the agreed date does not affect the period for payment linked with this date.

9.4 Contrary to § 284, para. 3 BGB, we shall be in default only if the condition of § 284, para. 1 or para. 2 BGB applies. Unless the Supplier can provide evidence of higher damage, our obligation to pay for a lump-sum damage caused by delayed performance is limited to a maximum of 5% per annum.

10. Assignment, Set-Off, Retention

10.1 Without our written approval, the Supplier is not entitled to assign claims directed against us, either in whole or in part, to third parties. For assignments in advance within the framework of a reservation of title by suppliers of the Supplier, the approval is given only subject to the provision that a set-off by us with counterclaims acquired subsequent to notice of such assignments is admissible.

10.2 Set-off with counterclaims of the Supplier is admissible only insofar as these claims are not disputed and due or are finally established in law.

10.3 The rights of retention and to refuse performance may be exercised by the Supplier only if his counterclaim is based on the same contractual relationship and, furthermore, the conditions described for such counterclaim in Clause 10.2 apply.

11. Defects

11.1 The Supplier warrants that the delivery item/service has the contractually agreed characteristics, corresponds to the relevant state of science and technology and does not have any defects which cancel or reduce its value or suitability for the normal use/purpose or that specified in the contract. In addition, the Supplier is liable for the fact that neither the delivery nor the contractual use of the delivered item/service will infringe the rights of third parties, in particular patents or other industrial property rights.

11.2 In the case of a defective delivery item/service, we shall be entitled - without limitation - to the statutory warranty claims subject to the provision that the period for claims of § 377 HGB is at least 8 working days. In the case of hidden defects, in particular those appearing during processing or commissioning of the delivery item/ service, the period for claims only commences with their detection.

11.3 The period of limitation for defects of quality and in title depends on the statutory provisions.

12. Damages and Liability

12.1 Claims for damages and compensation of expenses (hereinafter jointly referred to as „damages“) of the Supplier against our company are excluded, irrespective of the cause in law, unless they are based on the provisions of the Product Liability Act, on an intentional or grossly negligent violation of contractual or legal obligations on our part, on injuries to health and physical injuries to the Supplier due to a violation of duties for which we are responsible, a warranty promise for the existence of a characteristic feature or the violation of essential contractual obligations by our company. In the case of a violation of essential contractual obligations, the Supplier's claims for damages against us shall be limited to foreseeable damage which is typical for the contract, unless it is based on intent or gross negligence, or our company is liable for injuries to health or physical injuries or due to a warranty promise for the existence of a characteristic feature. A violation of duties by our company is put at an level with such a violation by our legal representative or person employed in performing our obligation. The present stipulations do not include a shift of the burden of proof to the disadvantage of the Supplier.

12.2 In the development and production of the delivery item/service, the Supplier will observe the latest state of science and technology and comply with all compulsory legal provisions, he will carry out a detailed functional and quality check prior to delivery and document adequately all measures taken to fulfil these obligations, he will keep this documentation for a period of 15 years and allow us to inspect such documentation at any time upon demand.

12.3 Should a claim for damages be raised against us by third parties as a result of a defect in the product, the Supplier shall hold harmless and indemnify us against such claims insofar as the damage has been caused by the raw materials or partial products delivered by the Supplier or by the services rendered by the Supplier. Otherwise, the Supplier shall be liable in accordance with the statutory provisions.

13. Data Protection, Security and Protection of Classified Material

13.1 We are entitled to store the data relating to our Supplier on computer and to process and use these data for the purposes of our business, in accordance with the statutory provisions.

13.2 The Supplier is obliged to strictly comply with our security instructions for external companies as well as, in the case of orders involving classified material, with the relevant applicable issue of the manual for the protection of classified material in industry by the Federal Ministry of Economics and Technology.

14. Place of Fulfilment, Jurisdiction, Applicable Law

14.1 The place of fulfilment for all supplies and/or services to be rendered by the Supplier is the place of receipt/ use specified by us in each case.

14.2 The sole place of jurisdiction with regard to all disputes directly or indirectly arising from the contractual relationship with the Supplier - also from documentary deeds, drafts and cheques - shall be Bremen (courts of the City of Bremen). At our option, however, we remain entitled to assert claims against the Supplier also at the courts which have jurisdiction over the customer's place of business.

14.3 The law of the Federal Republic of Germany shall apply, i.e. excluding the convention of the United Nations concerning contracts on the international purchase of goods.

15. Partial Invalidity

If individual provisions of a contract for supplies and services of which these Terms and Conditions form a part should be or become invalid, the validity of the remaining provisions of the relevant contract shall not be affected thereby.