

Gas Field Policy 26: Order Cancellation Policy

When a purchase order is received, it is accepted in good faith. In order to meet our quoted ship date, immediate action is required by multiple departments. This includes Engineering, Bill of Material generation and material planning with the ordering of any long lead-time components, and Production Planning. A Purchase Order cancellation, even very early within the order, has a significant cost impact on the factory. Likewise, a Purchase Order cancellation later in the schedule usually results in a loss of factory productive capacity.

For these reasons, Siemens Energy has established the amount of Cancellation Charges as a percentage of the total order value relative to the percentage of time elapsed for the scheduled delivery of an order. See Siemens Energy Form MD001.

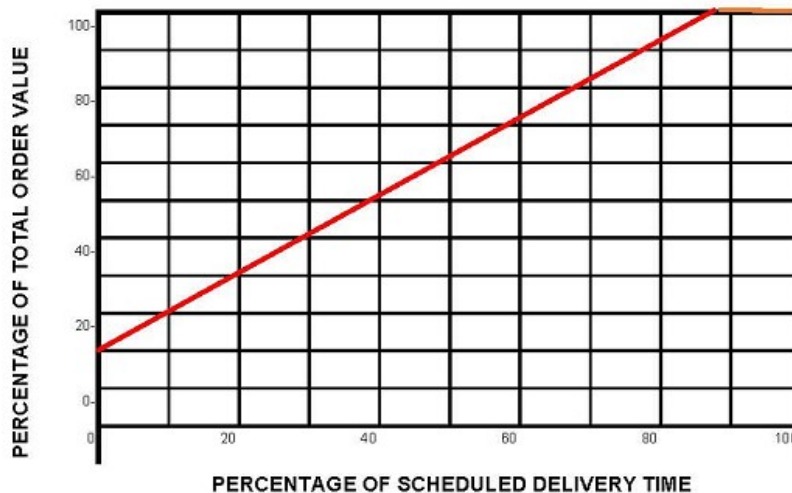
When notification is received that an order is to be held up, cancellation charges based upon this schedule will be presented to the Purchaser to assist him in determining whether to cancel the order or proceed with work. An indefinite "hold up" is not acceptable. An early decision must be reached as to cancellation or release to complete the equipment. Upon cancellation, all material becomes the property of the Supplier.

Additional cancellation charges may apply to orders that have very specialized equipment and will be addressed on a case-by-case basis. Likewise, orders that have special circumstances will be reviewed on a case-by-case basis.

Major changes to orders after entry, such as cylinder size or type changes -- or frame stroke changes -- will also be evaluated for cancellation charges on a case-by-case basis.

SIEMENS ENERGY FORM MD001
SCHEDULE OF CANCELLATION COSTS
FOR
COMPRESSORS WITH MOTOR OR STEAM TURBINE DRIVE
& ALL STEAM TURBINE PRODUCTS

Revision #3 dated 23 April 2009



If Siemens Energy secures any foreign currency hedge (e.g., forward contracts, currency options, swaps or similar instruments) to cover foreign exchange rate variations due to an order being in a currency other than currency(ies) of the country(ies) in which Siemens Energy manufactures or procures the equipment or parts that are the subject of the order, and if the order is cancelled or suspended, all losses incurred to settle such hedges shall be added to the above Schedule of Cancellation Costs.